Austria	Sch 20	Indonesia	Rp 2500	Philippines	Pes. 20
Bahrain	Din 0.650	Israel	NS 3.50	Portugal	Esc 90
Belgium	BFr.45	Italy	L 1500	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y550	Singapore	S$ 4.10
Cyprus	C£0.70	Jordan	Fils 500	Spain	Pta 125
Denmark	Dkr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	£L 25.00	Sweden	Skr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr. 8.00	Malaysia	Rm 4.25	Taiwan	NT $85
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 8.00	Turkey	L 950
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,980 Tuesday July 15 1986 D 8523 B

Interpol moves out of the shadows, Page 2

World news

Israeli jets bomb mountain villages

Four people were reported dead after Israeli jets bombed Palestinian bases in Druze-held villages in the mountains near Beirut.

Two Palestinians and two Druze fighters were killed according to Druze radio, but Palestinians put the toll at only one dead and 12 injured, including a five-year-old Lebanese boy. Page 4

Israeli Attorney General Yosef Harish is to press ahead with a police probe of the Shin Bet security service scandal after the Cabinet refused his plea for a state inquiry.

Court surrounded

Armed police surrounded a British court as a preliminary hearing began against Nezar Hindawi, a Jordanian journalist charged with trying to blow up an El Al airliner in London in April.

Banker resigns

Israel Discount Bank chief Raphael Recanati resigned, ending a three-month battle to keep his job after an inquiry into a shares scandal called on him to step down.

Thatcher for Moscow

British Prime Minister Mrs Margaret Thatcher is to visit Moscow on a date to be arranged, it was announced after she met Soviet Foreign Minister Eduard Shevardnadze in London. Page 24

Down to earth

Soviet cosmonauts Leonid Kizim and Vladimir Solovyov will return to earth tomorrow after four months in space, Tass newsagency announced.

US shuttle delay

The next flight of an American space shuttle has been delayed until early 1988, Reagan Administration officials said.

Portuguese bombs

Two people died in an explosion at a block of flats in Lisbon as a bombing wave by suspected left-wing terrorists hit Portugal.

New Dutch Cabinet

Dutch Premier Ruud Lubbers named a new Christian Democrat-Liberal Cabinet of 14 members which met and announced that its priority would be a cut in unemployment. Page 3

New Hanoi leader

The Vietnamese Communist Party elected the country's 80-year-old President Truong Chinh as its leader to succeed Le Duan, who died last Thursday.

Sri Lanka toll

Eighteen Tamil guerrillas and six soldiers were killed in fighting in Sri Lanka's north-western Mannar district, a military spokesman said.

Typhoon kills 90

At least 90 people were killed and more than 700 injured when Typhoon Peggy hit the Chinese mainland on Friday, according to a Hong Kong Chinese newspaper.

18 hurt in airliner

Passengers and flight attendants were tossed about the cabin when an Eastern Airlines jet bound for Miami from New York hit a pocket of turbulence, injuring 18 people.

Suez Canal record

The Suez Canal earned Egypt a record of more than $1bn in the year ended June 30.

Greenpeace snub

Soviet leader Mikhail Gorbachev met an international panel of scientists seeking a comprehensive test ban, but the head of the Greenpeace environmental group was excluded from the talks.

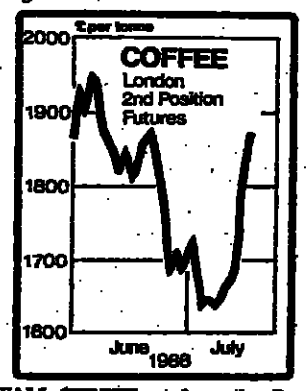
Business summary

Guinness withdraws Distillers board plan

GUINNESS, UK brewing and retail group, announced that Sir Thomas Risk, the Governor of the Bank of Scotland, would not become non-executive chairman of a new joint board as proposed at the time of its successful bid for Distillers earlier in the year. Page 25

J. P. MORGAN, parent of Morgan Guaranty Trust, began the second quarter reporting season for the major US money centre banks by announcing a 50.6 per cent jump in net earnings to $237m for the three months to end-June. Page 25

COFFEE prices rose further in London on concern about dry weather in Brazil. The September position closed £76 up at £1,873.50 a tonne. Page 38



WALL STREET: at 3pm, the Dow Jones industrial average was down 23.77 at 1,797.66. Page 46

LONDON equities and gilts and the FT Ordinary index ended 27.4 lower at 1,300.8. Page 46

TOKYO prices rose sharply in heavy trading and the Nikkei stock average closed at a record 17,820.56. Page 46

DOLLAR fell in London to DM 2.1795 (DM 2.1880); SFr 1.7790 (SFr 1.788); FFr 7.0100 (FFr 7.0225); and Y160.25 (Y161.25). On Bank of England figures the dollar's index was unchanged at 113.8. Page 39

STERLING fell in London to $1.4815 ($1.5050); SFr 2.6350 (SFr 2.6900); FFr 10.3850 (FFr 10.5875); DM 3.2275 (DM 3.2925), and Y237.50 (Y242.75). The pound's exchange rate index fell 0.5 to 73.4. Page 39

GOLD fell $2.50 to $345.50 on the London bullion market. It also fell in Zurich to $345.70 from $348.10. In New York, the Comex August settlement was $346.40.

NORWAY, its balance of payments hit by falling oil prices and an overheated economy, returned to the Eurobond market for the first time since 1979 with a $500m fixed-rate issue on terms seen as aggressive by the market. Page 28

BANCTEXAS Group, beleaguered Dallas-based bank holding company which last month signed a letter of intent to sell its six North Texas banks to Gerald J. Ford's investment group, said it has reached a further agreement with United Bankers for the sale of its four loss-making Houston banks. Page 26

SINGER, Connecticut-based aerospace and marine equipment group, has finalised plans for the spin-off of its sewing and furniture operations and predicted a sharp rise in second-quarter earnings. Page 25

ZANUSSI, leading Italian home appliance maker which is controlled by Electrolux of Sweden, emerged from five years of losses with a L5.2bn ($3.5m) net profit in the first four months of the year, compared with a L24bn loss in the year-ago period. Page 26

DAINIPPON Ink, Japanese group which recently made a bid for Sun Chemical, the biggest US printing ink producer, may acquire Hartmann, a West German based printing ink company. Page 26

LAURA ASHLEY: US private investors are to be able to deal in the shares of Laura Ashley, the UK clothing and fashion fabrics group, through American Depositary Receipts. Page 30

NEDBANK, South African bank, is to write off some of the debts of Tromf Fertilizer in a restructuring of the company. Page 27

Wall St, London and £ tumble as oil prices skid

BY GEORGE GRAHAM AND LUCY KELLAWAY IN LONDON

OIL PRICES continued to slide yesterday and drove sterling into a tailspin. The pound fell 6½ pfennigs to reach its lowest level against the D-Mark since February, pushing earlier hopes of an imminent cut in UK interest rates into the background.

Gilt-edged UK government securities suffered from sterling's weakness, and the mood of despondency spread to the equity market. London share prices tumbled, their fall accelerated as Wall Street once again opened weakly.

The US markets fell back in response to poor results from IBM. The Dow Jones Industrial average droped below 1,800 for the first time since May as the computer manufacturer reported second-quarter earnings 7.8 per cent lower than in the corresponding period last year.

At the close, the Dow Jones Industrial Average was down 27.98 at 1,793.45.

The price of North Sea oil fell to its lowest level ever yesterday, with Brent sales for August delivery reported at $9 a barrel, 50 cents lower than on Friday, while cargoes for immediate delivery were sold for as little as $8.60.

Yesterday's movement extended the steady downward drift in prices since Opec failed to agree on individual members' quotes two weeks ago. Since then North Sea prices have fallen by over $2 a barrel, while the price of Dubai Fateh has fallen further to touch $7.40 yesterday.

Underlying the fall in prices is the recent surge in oil production by both Opec and non-Opec members. Opec producers are currently selling up to 19.5bn barrels a day (b/d), nearly 2m b/d more than the 17.6m b/d ceiling agreed by a majority of Opec ministers last month in Brioni, and contributing to a world surplus of oil estimated to be increasing at between 2m and 3m barrels a day.

The latest drop in the oil price has led many analysts and oil companies to reconsider their short-term price forecasts, so that many now expect further weakness.

One trader from a large oil company said yesterday: "There is only one thing that will turn the market round, and that is a proper agreement between producers." But he added that the market holds out little hope that any such agreement will be reached when Opec members reconvene in Geneva at the end of this month.

By contrast to the market's doubts, Mr Alhaj Rilwanu Lukman, the Opec conference president and the Nigerian Oil Minister, said over the weekend that there was a "reasonable" chance that agreement would be reached in Geneva on production-sharing between the 13 member-countries. The depressed price of oil would encourage "positive results" from the meeting, he said.

The drop through the psychological barrier of $10 a barrel has reawakened the financial markets' anxieties about sterling's vulnerability to lower oil prices.

Since his budget in March, Mr Nigel Lawson, Britain's Chancellor of the Exchequer, has been at pains to point out that the perception of the pound as a petro-currency was exaggerated, since North Sea oil and gas accounted in 1985 for only 5 to 6 per cent of UK national income.

Investors appeared to have accepted this message, and sterling remained relatively buoyant – supported by much higher interest rates than other major nations. Even after dropping 2.1 points in the last three trading days, the Bank of England's trade-weighted sterling index still stood at 73.4 yesterday only 6.7 per cent lower than its average in 1985. Oil prices, meanwhile, have fallen by 66 per cent.

Worries have resurfaced, however, over the immediate effect of lower oil prices on the UK's balance of payments. Many analysts now expect the drop in the value of North Sea oil exports to have sent

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Analysis, Page 15; money markets, Page 39; commodities, Page 38

Eta car bomb kills 8 in Madrid

By Tom Burns in Madrid

THE BASQUE separatist organisation Eta detonated a car bomb in Madrid yesterday, killing eight members of the Civil Guard police corps and injuring more than 40 people, including several passers-by.

The attack came on the eve of parliament reopening following the general elections last month, and a day after officials revealed that an alleged Eta leader had been deported from France, where he had been serving a prison sentence, and had been confined to Gabon in West Africa.

The target was a bus carrying young guardsmen belonging to the Civil Guard's traffic school. It was on a routine early morning trip to the city's outskirts where the men are trained.

Police estimated that the bus was hit by 100 pounds of explosives, nuts, bolts and bicycle chains which had been stored in a parked van and which was detonated by remote control. A second bus, also carrying guardsmen, narrowly escaped the full impact of the blast, but at least four bystanders, including a road sweeper, were seriously injured.

The bombing was a replica of earlier attacks by Eta in Madrid. At the end of April, five guardsmen who were returning from overnight duty at embassies were killed by a car bomb, and last September, when the car bomb device was employed by Eta for the first time in Madrid, 20 guardsmen were injured and a passer-by was killed.

The attack appeared to be designed to coincide with the start of a week which has a busy programme of political activities. The new parliament, elected in the June 22 polls, meets today to choose a speaker and other officers of the legislature. Once parliament is formally constituted, King Juan Carlos holds consultations with the leaders of political parties aimed at selecting a candidate for Prime Minister.

The blast also came on the heels of a key development prompted by the French Government which resulted in the expulsion to Gabon on Saturday of Mr Domingo Iturbe, better known as "Txomin", a man held to be the leader of Eta.

"Txomin" Iturbe was arrested shortly after the April car bomb and was due to be released at the end of last week after serving a short sentence for violating residency requirements. At the request of the Spanish authorities, he had been confined north of the Loire river, well away from the frontier, the French Basque country zone which has been a traditional safe

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Mitterrand 'no' to decree on privatisation

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government's privatisation programme received a serious setback yesterday when President François Mitterrand announced that he would not sign the decree to give it legal effect.

Mr Mitterrand chose his traditional Bastille Day broadcast to provoke the first serious clash with the Government of Mr Jacques Chirac, the Prime Minister, since the right's victory in the legislative elections in March ushered in France's first experience in "cohabitation."

Until now Mr Mitterrand has gone no further than verbal rebukes and challenging some of the Prime Minister's appointments.

Mr Mitterrand said he would not sign the decree because it provided insufficient guarantees that the 65 nationalised groups to be privatised "would not find themselves tomorrow in the hands of foreigners." He described his refusal as "a question of conscience."

The President's decision leaves the Government with the choice of either pushing the privatisation decree through parliament in the shape of a new law or risking an all-out confrontation with Mr Mitterrand by resigning so as to provoke fresh legislative elections.

Under the French constitution Mr Mitterrand has the right to refuse to sign decrees, which are used by governments as a way of short-cutting parliament to accelerate legisation. He can only delay laws voted by the National Assembly by 15 days.

It was felt by political observers yesterday Mr Chirac would not risk a major confrontation. Mr Mitterrand's popularity is rising in the public opinion polls while that of the prime minister has been slipping.

Mr Chirac's evident discomfort in Mr Mitterrand's tactics was reflected in his refusal to make any comment on the President's declaration. Earlier in the day he had stood beside the President in reviewing French forces marching down the Champ Elysees.

Mr Mitterrand made no mention yesterday of his earlier threat not to sign privatisation decrees which included groups nationalised before 1981, such as the three main nationalised banks and the three major insurance groups.

Mr Edouard Balladur, the Minister of Finance, who is responsible for privatisation, has said that the 15 per cent limit on foreigners' holdings would be transitory. Once the groups had built up their capital resources and thus were better able to defend themselves against hostile takeover bids from abroad, foreigners would be able to take larger stakes in them. Such a shift would match the French Government's growing encouragement to French companies to make corporate acquisitions abroad as a way of increas-

Continued on Page 24

IBM warns on earnings after second-quarter slide

BY ADRIAN DICKS IN NEW YORK

IBM, the world's largest computer group, said yesterday that its second-quarter earnings had fallen by 7.8 per cent from $1.41bn to $1.3bn, despite an increase in sales of roughly the same percentage from $11.43bn to $12.28bn.

The decline in IBM's earnings per share, to $2.12 from $2.30 in the second quarter of 1985, disappointed Wall Street. Analysts had been hoping for earnings to be maintained in the $2.30 to $2.40 range.

At 3pm yesterday, IBM shares had fallen $3 to $140¼.

For the first half, IBM earnings fell to $2.32bn from $2.4bn, or from $3.91 to $3.77 per share. Sales advanced from $21.2bn to $22.39bn.

Mr John Akers, IBM chairman, said the second quarter results reflected "continuation of the business slowdown in the North American economy that began in 1985. Sluggish capital spending in North America and uncertainties about US tax reform legislation and transition rules have negatively affected our orders and shipments."

The IBM chairman said that business outside North America was stronger, with capital spending generally more positive.

"Without an improvement in capital spending in North America, it will be difficult to show earnings growth in 1986," Mr Akers said.

IBM reported firm demand for large processors and storage devices, despite the more uncertain outlook for business customers arising from the recent changes in US tax treatment of company outlays on plant and equipment. But Wall Street is more concerned about its personal computer business.

Last week the company announced price cuts of up to 18 per cent on some models, apparently in response to complaints from dealers that their profit margins were suffering because of the increased market share being taken by so-called "clones" – personal computers with many of the characteristics of IBM equipment and compatible with it.

A recent study by InfoCorp, a California research firm, estimated that as a result of the activities of the "clone" manufacturers, IBM's share of the US personal computer market fell in the first five months of this year to 25 per cent from 30 per cent in the same period of 1985.

By contrast NCR, another leading US computer manufacturer with a strong position in the banking equipment market, yesterday reported record earnings for the second quarter. Net income during the quarter rose 18 per cent to $78.8m (80 cents a share) from $66.6m (67 cents a share) a year earlier.

Sales during the period rose 13 per cent from last year to $1.16bn from $1.03bn, while new orders were also higher, although the company did not give details.

Mr Charles Exley, NCR's chairman, said that the second quarter results were the fourth successive quarter in which records had been set in profits, sales and new orders.

US share prices, Pages 43-46

Craxi snub deepens crisis for Andreotti

BY ALAN FRIEDMAN IN MILAN

RESOLUTION of Italy's 18-day-old government crisis appeared further away than ever last night after Mr Giulio Andreotti, the Christian Democrat who has been asked to form a new government, was told that the Socialist Party of caretaker Prime Minister Bettino Craxi refused to support his efforts. Mr Craxi resigned on June 27 following a parliamentary defeat.

The Socialist position, delivered to Mr Andreotti by Mr Claudio Martelli, deputy party leader, had been pre-announced last Friday. Coming on the first day of Mr Andreotti's formal round of consultations, however, it appeared to rule out the prospect of his successfully forming a new five-party ruling coalition.

Mr Martelli said after his talks with Mr Andreotti: "We listened to his proposal and then told him with great frankness that his effort lacks completely the indispensable political consensus required for it to succeed."

The Socialist deputy leader, a close aide of Mr Craxi, attacked "the pretence of the Christian Democrats to determine unilaterally the timing, nature and form of a new government." The Socialists want Mr Craxi reinstated as prime minister.

The Opposition Communist Party also met Mr Andreotti yesterday and announced last night it would distance itself from his efforts "to reconstruct a five-party coalition." Mr Alessandro Natta, Communist Party secretary, said Italy needed "new solutions."

His comment was immediately

Continued on Page 24

HK Land may sell foods unit

BY GORDON CRAMB IN LONDON

HONGKONG LAND, the biggest property group in the British-administered territory, yesterday signalled a surprise further step in its return from near-collapse in 1983 by revealing an outline plan to spin off its large foods division to shareholders.

At the same time, it announced that Mr David Davies, who as managing director has been widely credited with devising a successful programme of asset disposals, was leaving the company after completing 2¾ years of a five-year term.

Mr Simon Keswick will remain as chairman both of Hongkong Land and of Jardine Matheson, its trading house associate.

Mr Davies stressed last night that his departure was "not contingent" on the mooted sale of Dairy Farm, which could raise more than HK$1bn (US$128m). But he apeared to stop short of a full endorsement of the proposal, describing it as "an interesting idea" which "has to be properly researched and executed."

"However, one has to recognise that one is removing from Hongkong Land a considerable amount of cash flow," he added.

Dairy Farm is Hongkong Land's only significant involvement outside the property and hotels sector. It owns the Wellcome chain of 112 supermarkets in the territory and claims third place in the Australian supermarket "league" with its Franklins network of 137 outlets.

In addition Dairy Farm makes milk products and fruit drinks and is Hongkong Land's principal trading vehicle with China.

Last year, the food division contributed nearly a fifth of the group's HK$1.78bn operating profits. At the end of December, Dairy Farm had shareholders' funds of some HK$1bn and debts of around HK$570m.

Mr Keswick said yesterday: "It is likely that any transfer of Dairy Farm would be effected in such a way as to ensure that Hongkong Land would receive a cash payment approximately equal to Dairy Farm's book value."

Methods included a possible offer for sale at book value, to existing shareholders in Hongkong Land, or a free distribution of most of the shares while selling the remainder in the market at full value.

Mr Davies, who was described by Mr Keswick as having "done an outstanding job," will continue as a non-executive director of Jardine Matheson. He will be succeeded at Hongkong Land at the end of August by Mr Nigel Rich, currently finance director.

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EUROPEAN NEWS

David Marsh profiles an organisation intent on modernising its image and its way of working

Interpol takes a step out of the shadows

INTERPOL IS moving out of the shadows. The 138 nation police organisation known to the public mainly through detective novels, is turning to new technology and modern working methods to step up its fight against international crime.

The organisation, set up in Vienna in 1923 and transferred to Paris after the war, is trying to shake off the weight of six decades of tradition in more ways than one.

It is preparing for a move in two years' time from its present bunker-like headquarters at Saint Cloud, west of Paris, to a sparkling new building in the south-east metropolis of Lyons.

It is bringing in sophisticated computer and telecommunications equipment to fight cross-border crimes ranging from terrorism and narcotics to banking swindles and credit card fraud.

In line with the increasing political flurry over terrorism, the organisation is adopting a studiedly higher profile with governments to convince its industrialised country paymasters of the usefulness of its role.

The organisation is now firmly aware that it is at the front line. The Interpol building topped by radio masts in a quiet residential street was hit by a bomb blast in May. The commando attack by France's Action Directe urban guerrilla group—which also carried out last week's bombing at an annexe of the Paris police headquarters, killing an inspector and injuring more than 20 other people—did FFr 4m to FFr 5m worth of damage.

"We have to work to preach the gospel," says Mr Raymond Kendall, the bluff 52-year-old Special Branch police officer from the UK's Scotland Yard who took over last October as Interpol's secretary general.

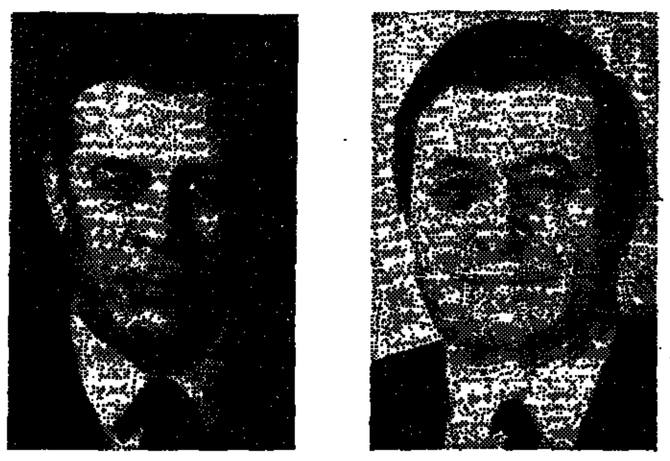
Mr Kendall says that political efforts to combat terrorism — given prominence by the European Community and the Tokyo summit — should not lead to alternative organisations being set up which could by-pass Interpol.

But Interpol's members, he adds, "must be prepared to accept from now on that for everything they expect from us, they should be prepared to pay for it."

Interpol is at present run on a relative shoestring. Its budget is around FFr 60m (£8.69m) a year, supporting a staff of 280, of which 60 are police officers from 40 countries.

Mr Kendall stresses that Interpol's role is to provide technical services through collaboration and communication between police forces rather than to get involved in politics.

Although it hits the headlines, terrorism is at most 10 per cent of Interpol's work. Another 20 per cent is violent crime, drugs tafficking takes 30 per cent and fraud and economic crimes another 30 per cent.



John Simpson (left), the US president of Interpol, and Raymond Kendall, from Britain's Special Branch, who is secretary general

Interpol has been hampered in the past by widely differing legal and police systems among its members. They include not only the industrialised bloc (the US, Britain, France, West Germany, Italy and shortly, Japan, bear the main funding burden with about 5 per cent of the budget each) but also countries as diverse as China, Iran, Libya, Chile and Syria.

The US above all has backed efforts to strengthen Interpol. The organisation's president since September 1984 has been Mr John Simpson, head of the US secret service.

This elegantly tough Bostonian has been called upon by the Reagan Administration to give the organisation a more "aggressive" function allegedly lacking under the French secretaries-general who, before Mr Kendall's arrival, had run Interpol's day-to-day operations continuously since 1946.

A landmark was passed in 1984 when the organisation's general assembly decided that Interpol could intervene in cases of politically motivated crime committed outside the original zone of conflict.

Previously, Interpol's Article 3, *proscribing investigations* into dossiers with political, military, religious or racial overtones, effectively prevented involvement in anti-terrorism activities.

Mr Simpson says that Interpol this summer has already been involved in several notifications of terrorist activity, such as the warnings given in May over bombs suspected on Cross *Channel ferries.* "We are doing a decent job — we will continue and get better," he says.

As an indication of how Interpol can maintain police co-operation with countries with which the West's political ties are strained, Mr Kendall says that Libya gave a "satisfactory response" to questions about the terrorist attacks on the Rome and Vienna airports earlier this year. He plans to visit Libya later this year, following up a long-standing invitation, to see *how Interpol's contacts with the* Libyan police can be developed. He says: "I do not anticipate any problems."

An increasing part of Interpol's work *focuses on forg*ing contacts with banks and professional organisations which may be victims or unwitting accomplices in fraud, laundering of crime-derived funds and counterfeiting of currency.

"The difficulty is that the police cannot deal with *all* these matters themselves," says Mr Kendall. "So banking institutions or credit card organisations are creating special *sections to* deal with this type of crime. We must have close contact with these people to make sure they are not moving too much into police areas."

Aided by a special FFr 12m budget to be spent on modernising Interpol's 10-year-old computer system, Mr Kendall is at last getting down to the long overdue task of putting the organisation's central records on to computer tape.

By the time the process is completed, Interpol's file of 2m people suspected or convicted of involvement in international crime will have been reduced *by* half, he says.

All the new equipment being introduced at Interpol—including word processors to speed up writing Wanted notices in Arabic, English, French and Spanish—will be transferred to Lyons.

Even though the futuristic *new building exists as yet only* as an architect's model, Mr Kendall hopes construction can be accelerated, allowing the move to be completed by July 1988. *The FFr 120m* headquarters (land is being provided free by the Lyons city council), containing extravagantly large windows, might appear a shattering target for terrorists. But the building will be surrounded by a moat, thorn bushes, *electronic protection* devices and, under a promise already made to the mayor of Lyons, extra police reinforcements.

Japanese workers well ahead in getting on the road

BY WILLIAM DULLFORCE IN GENEVA

A SOUTH KOREAN worker in a car factory has to work nearly four times *as long as his* US counterpart and almost twice as long as a British car worker to earn enough to buy a car.

As far as private transport goes, however, the Japanese car worker is the best off. He has *to put in only 562 hours to be* able to afford a car, compared with 769 hours for his US colleague, 1,380 hours for a Briton, 1,740 hours for an Italian and 1,910 hours *for a Frenchman.*

The "car" in question in each case is the one most likely to be bought by a metalworker in his country.

These comparisons are contained in the latest annual survey of the purchasing power of its members' working time published by the International Metalworkers' Federation (*IMF*) which represents 15m workers in 70 countries.

The IMF tries to measure how long workers in different countries and different industries have to work to earn enough to buy various commodities such as food, household goods and cars.

It finds that the purchasing power of its Japanese members is broadly equivalent to those in Europe although both fall short of North American workers' purchasing power.

Some findings conflict with common assumptions. Thus, it is not the Australian or Argentine mechanical engineering worker who works the *shortest* time for a kilogram of medium-quality beef. The US worker needs *only 17 ½ minutes* compared with 58 minutes for the Australian and 2 hours 34 minutes for the Argentine.

Their Japanese counterpart has to put in two hours 29 minutes for his meat ration against one hour 48 minutes for the Frenchman and one hour 14 minutes for the West German.

Nor, as might be supposed, are the *Japanese better off with* fish. In the mechanical engineering industry a kilogram of fish costs a Japanese two hours 57 minutes in working time against one hour two minutes for the Briton, 37 minutes for the West German and 27½ minutes for the US worker. The Dane does best: he works only seven minutes for his kilo.

The IMF finds that the gap between South Korean and other Asian industrialised countries has widened over the past year. In the electrical industry, a Korean has to work 337 hours to afford a refrigerator compaed with 176 needed by the Singaporean and 130 by the Japanese.

The newly industrialised countries in Asia have caught up with Europe in many areas. An electrical industry worker in Hong Kong needs 23 hours 15 minutes to buy an overcoat compared with 36 hours 15 minutes in Italy, 33 hours 30 minutes in Belgium and 46 hours in France.

The Briton gets away with 20 hours *for his overcoat* and the West German with 18 hours 15 minutes.

Help for small business promised by Commission

BY WILLIAM DAWKINS

THE EUROPEAN Commission has put forward two measures to help small businesses raise venture capital internationally and to attract risk equity to commercialise the fruits of EEC research projects.

Mr Abel Matutes, commissioner responsible for small business, has promised increased and more secure funding for the experimental Venture Consort scheme. Set up 18 months ago, the scheme provides grants of up to Ecu 300,000 (£192,000) for risk investments handled by members of the European Venture Capital Association (EVCA) on condition that the total backing come from more than one country in the Community.

Venture Consort, which limits its aid to 30 per cent of individual equity investments, has so far received Ecu 3.3m (£2.1m) informally from the Commission department backing the scheme. Mr Matutes said during a meeting with Mr Neil Cross, EVCA's chairman, that the scheme would be allocated Ecu 5m in next year's budget, thereby according it full official support.

The scheme has channelled Ecu 2.5m into 15 syndicated venture capital deals so far. It is held up as a model of European attempts to help small businesses overcome market barriers within the Community so that they can grow as fast as US counterparts in less restricted domestic markets. Investors in successful Venture Consort backed projects must refund half of their profits, but can write off the grant if the enterprise fails.

Mr Matutes also agreed at the EVCA meeting to extend the recently announced Eurotech scheme to venture capital groups, rather than restricting it to commercial banks as originally proposed. Eurotech, due to come into effect next year, will provide a 50 per cent guarantee up to a combined total of Ecu 150m for investments in projects emerging from Community technology research programmes.

EUROPEAN NEWS

Romania close to accord with banks on deferring debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ROMANIA IS close to an agreement with its main commercial bank creditors that will allow it to defer some $880m in debt repayments falling due this year and next.

The payments affected are part of the principal rescheduled by the banks in 1982 and 1983 and which is now falling due. Romania, with total debt of $6.6bn, has told its bankers it cannot afford to make them because its resources have been squeezed by a heavy debt repayment programme and because of a foreign exchange shortage caused in part by the impact of the Chernobyl nuclear disaster on its foreign trade.

Romania traditionally operates with very low reserves and bankers say its available foreign exchange has sunk to around $200m or even less. In May it missed one of the principal repayments now being rescheduled and has been temporarily stretching out some other payments due this year.

At a meeting in London with Romanian officials last week the bankers said they came close to an agreement to defer the principal repayments, which involve $350m due this year and $530m due next, but the two sides have yet to settle the final maturity and interest margin that will be applied to the debt. Romania is currently paying a margin of 1¾ per cent over Eurocurrency rates.

Though it involves an adjustment to an existing rescheduling agreement, Romania's deferment request is not regarded as particularly problematical. Besides the loss of agricultural sales to the West because of the Chernobyl disaster, the country has been squeezed successively by two bad winters and a drought, as well as by delayed payments from its own creditors in the Middle East.

Yet is still expects to run a substantial $1.2bn current account balance of payments surplus this year — enough for it too meet other regularly scheduled debt service payments — and has managed to reduce its total foreign debt to $6.6bn at the end of last year from $10.1bn at the end of 1981.

One banker involved in the negotiations said yesterday that the principle problem was that Romania had been "over-zealous" in its determination to reduce its foreign debt. Had it not done so it would have been able to build up reserves to the point where it did not face periodic cash shortages and could continue to meet its obligations under the rescheduling, he said.

Once agreement on terms of the debt deferral is struck, probably within the next two weeks, it will have to go out for approval from 250 creditor banks worldwide. The International Monetary Fund is not being asked to become involved, partly because Romania now has a balance of payments surplus and partly because of the conditions it would seek to impose, including a build-up of foreign exchange reserves through a slowdown in the rate of debt repayment.

Romania's need to defer the payments due to bank creditors has none the less delayed its full return to international creditworthiness after the country last year obtained a $150m credit on a voluntary basis from a group of bank creditors.

Refugees from Third World worry Bonn

ALMOST 600 Third World refugees seeking political asylum arrived in West Berlin over the weekend. Perturbed West German authorities said yesterday that up to 100,000 asylum seekers might arrive in the country this year, AP reports.

In Bonn, Mr Friedhelm Ost, chief government spokesman, said relations with East Germany would be "seriously impaired" unless that nation acted to stop refugees from entering West Germany through East Berlin.

West German Interior Ministry spokesmann Mr Michael-Andreas Butz claimed yesterday that the East German airline Interflug was running advertisements in Ghana offering "comfortable" flights to East Berlin.

Mr Butz said the advertisements guaranteed transit to West Berlin.

West Germany's asylum problem is aggravated by Berlin's legal status. West Berlin officials are unable to turn back refugees because East Berlin is not deemed to be foreign territory by western governments.

Among the 588 refugees who arrived in West Berlin last weekend were 275 Iranians, 160 Lebanese and 80 Indians, the Social Affairs Ministry said.

Kremlin gives Nixon lukewarm reception

BY ALISON SMALE IN MOSCOW

FORMER PRESIDENT Richard Nixon, who is in Moscow on what is described as a private, fact-finding visit, has found his reception from the Kremlin a little cooler than on his last trip for a summit with Mr Leonid Brezhnev in June 1974.

Then, although disgraced at home by the Watergate affair that forced his resignation only six weeks later Mr Nixon was feted in the Kremlin and taken to the exclusive Black Sea resort of Yalta.

Now, with his reputation in the US apparently improving, Mr Nixon has found his Moscow visit disturbed by an old trouble – events in Vietnam.

The death last week of Vietnamese leader Le Duan took Mr Anatoly Dobrynin, who arranged Mr Nixon's trip, to Hanoi for the funeral – and left Mr Nixon waiting for his promised appointment with the former Washington ambassador who is now considered to be the Kremlin's top foreign policy adviser.

To fill in the time, Mr Nixon attended a reception at the US ambassador's residence where he played "God bless America" on the Steinway piano and consoled attending losers from the Goodwill Games with the words, "I've won and lost a few myself."

On Monday, Mr Nixon was handing out autographs at a Moscow market before word came that he will see Mr Dobrynin soon after the latter returns from Hanoi tomorrow morning.

The purpose of Mr Nixon's visit and the prospects of any meeting with Soviet leader Mr Mikhail Gorbachev remain unclear. Mr Nixon talked to President Ronald Reagan for 15 minutes before he left the US on Friday, but he is said not to be carrying any White House message for the Kremlin.

As the architect of detente with Mr Brezhnev in the 1970s, Mr Nixon never lost standing here as he did over Watergate at home.

● An American scientist who was one of a group meeting with Mr Gorbachev yesterday said that the Soviet leader was under "great pressure" to resume nuclear tests when the Kremlin's moratorium on testing expires on August 6.

Mr Frank Von Hippel, a physicist who is a professor at Princeton University, indicated that the pressure came from the Soviet military, who are said to be concerned that the one-sided moratorium, that will be a year old on August 6, has weakened their strategic position against the Americans.

Mr Von Hippel was one of a group of scientists who presented Mr Gorbachev with an appeal to continue his moratorium.

Lubbers cabinet faces struggle over the budget

BY LAURA RAUN IN THE HAGUE

MR RUUD LUBBERS, the Dutch Prime Minister, and his new cabinet sworn in yesterday face a battle against high unemployment and a growing budget deficit.

The Prime Minister told a lively news conference yesterday that the biggest risks are that the healthy economy could overshadow the urgent need for budgetary discipline and that partisan politics could split the government.

The 14-member cabinet held its first meeting yesterday to consider the 1987 budget, which will be unveiled officially in September. The budget deficit will be allowed to rise only about half a percentage point to 8 per cent of net national income next year and then must fall in yearly steps to 5.25 per cent by 1990.

The centrist Christian Democrats and right-ofcentre Liberals reached agreement last week in a set of economic and social policies for the next four years, most of which are a continuation of past policies. That followed two months of painstaking and wide-ranging negotiations after Mr Lubbers' Christian Democrats won a stunning victory in last May's election.

The cabinet looks much like the previous one, with 10 ministers returning and most of them to their old portfolios. New appointments have been made to the Economic Affairs, Defence, Home Affairs and Environment portfolios.

The Christian Democrats gained one cabinet seat for a total of nine while the liberals lost one for a total of five due to the election results, prompting Mr Lubbers' concern over partisan politics.

The full cabinet list is as follows: Prime Minister, Mr M. Lubbers; Economics Minister, Mr Rudolf de Korte; Home Affairs, Mr Cees van Dijk, Foreign Affairs, Mr Hans van den Broek; Justice, Mr Frits Kortals Altes; Education, Mr W. J. Deetman; Finance, Mr H. Onno Ruding; Defence, Mr Vim van Eekelen; Environment, Mr Ed Nijpels; Transport, Mrs Neelie Smit-Kroes; Agriculture, Mr Gerrit Braks, Labour, Mr Jan de Koning; Culture, Mr Eelco Brinkman; and Development Aid, Mr Piet Bukman.

Foreign banks angry at new squeeze by Lisbon

BY DIANA SMITH IN LISBON

FOREIGN BANKS which opened in Lisbon after the liberalisation of banking in 1984 are re-examining their investment closely in the light of a decision by Mr Miguel Cadilhe, the Minister of Finance, to increase to Es 2.5bn (£11m) the minimum capital requirement, a rise of 66 per cent.

Banks have a year to pay and are complaining angrily

The public excuse for abrupt escalation of the banks' starting price was "erosion by inflation" of the 1984 figure and a need to ensure "solid" institutions. Less publicly, the Ministry admits to a desire to protect unprofitable nationalised banks from a competitive onslaught by flexible new banks or proviately-owned Portuguese banks.

The sudden change in minimum capital requirement, which makes Portugal's tiny market more expensive than Spain's large diversified one, is the third Finance Ministry squeeze on new banks in less than a month.

In June, when two new privately-owned Portuguese commercial banks offering high interest current accounts paying between 7 and 20 per cent have been open for less than a month, the minister ordered banks to pay no more than 4 per cent on current accounts. Its reason was that the market must not be "agitated."

Later that month when interest as a whole was cut by 3 per cent the Bank of Portugal's discount rate was only cut by 1.5 per cent, giving the edge on the interbank market to nationalised banks with voluminous time deposits and excess liquidity, and tightening the margins of foreign or new Portuguese banks which have avoided cumbersome time deposits.

Faced with the latest measure, foreign banks are asking when the minority Government of Prof Anibal Cavaco Silva will give free rein to market forces to which it swore allegiance when coming to power late in 1985.

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Norway floats $400m loan

By Fay Gjester in Oslo

THE NORWEGIAN state has floated its first foreign loan for six years—a $400m issue. A central bank official said "very good terms" had been obtained. The loan is the first of several Norway is expected to raise on the international markets this year, under a NKr 7bn (£613m) authorisation granted recently by parliament.

Mr John Tvedt, of the Bank of Norway, said Norway had "plenty of liqidity," with foreign currency reserves at around NKr 70bn, but it would need the funds later, as the effects of low world oil prices began to make themselves felt.

S Africa strike call brings mixed response

By Bernard Simon in Johannesburg

BLACK WORKERS in South Africa responded patchily yesterday to trade union calls for a day of industrial action in protest against the month-old state of emergency.

Attendance at the country's 7,000 black schools was also uneven as they re-opened after a prolonged mid-year break amid tight security.

The work stoppage and disruptive action called by the Council of South African Trade Unions (Cosatu), the country's largest black union grouping, appeared to be most effective in the eastern Cape and at factories in other places where Cosatu-affiliated unions have strong representation.

General Motors closed its plant in Port Elizabeth at mid-morning after about 2,000 workers walked off their jobs. Similar action was reported by several other companies.

On the other hand, many employers in the Johannesburg area reported uninterrupted operations with near full attendance.

The authorities made one concession to Cosatu by releasing the group's president, Mr Elijah Barayi, last Friday after two weeks in detention. The Government has imposed a number of restrictions on Mr Barayi's activities.

The reopening of black schools was accompanied by strict new rules on discipline. There was confusion in some schools, however, when the authorities failed to issue identification documents which are now compulsory for enrolment.

The mid-year school holidays, which started last month, were extended by two weeks to give the authorities time to organise stricter security and disciplinary measures.

No clear pattern was apparent in school attendance. While many pupils returned to schools yesterday in the Pretoria area, turnout was low in many townships on the Witwatersrand, including Soweto, Johannesburg's black township.

School heads and teachers have expressed reservations at the new measures, which include security fences and guards. They say they were not consulted by the authorities and are reluctant to enforce the indentification system.

● South African state radio yesterday criticised employers who have urged the release of union leaders detained under emergency laws, Reuter reports from Johannesburg. The broadcast indicated Pretoria is not ready to bow to their demands.

The commentary, which reflects Pretoria's views, said emergency rule had been imposed and radical union leaders detained because ending "organised political violence . . . is the most compelling task with which South Africa is now faced."

It referred to white business leaders who issued a joint statement with Cosatu last week, deploring emergency laws imposed last month.

Australian oil workers call off strike in two states

OIL workers in two Australian states yesterday called off a strike which had brought serious fuel shortages. The workers accepted a pay and retirement deal, union officials told Reuter in Sydney.

But 600 workers in New South Wales, the third state hit by the strike, will not vote on the deal until tomorrow, the Federated Storemen and Packers Union (FSPU) said. However, the union added that the workers were expected to follow the lead of Victoria and South Australia.

The FSPU's decision followed talks conducted by the Arbitration Commission, Australia's central wage-fixing body.

In Sydney, the country's most populous city, strict rationing was in force and half the petrol stations were without fuel.

Petrol rationing in Victoria, where the strike began 11 days ago, could end tomorrow.

The strike by oilmen, who control petrol distribution outlets, added to the country's general economic gloom and helped drive the Australian dollar down to record levels last week.

Currency reserves top India's forecast

By K. K. Sharma in New Delhi

AGAINST ALL expectations, India's foreign exchange reserves rose by Rs 5.7bn (£200m) in fiscal 1985-86 despite a record trade gap of an estimated Rs 75bn.

The reserves at the end of March increased to Rs 83.84bn compared to Rs 68.16bn at the end of March 1985, and the bulk of the rise came towards the end of the fiscal year.

Finance Ministry officials are still analysing the reasons for this dramatic and unexpected rise but sources say this at least partly reflects the fall in the world prices of crude. India made a number of spot deals this year for part of the roughly 15m tonnes of crude and petroleum products imported each year to take advantage of the easy market conditions for oil.

Other reasons are said to be a massive rise in remittances by non-resident Indians. The Government has recently drawn up a number of incentive schemes, including a high rate of interest on convertible bank deposits to attract remittances. This has attracted substantial bank deposits, with the inflow increasing in the past few months because of the relatively low level of interest rates in world money markets.

The improved reserves position has considerably eased the pressure on the balance of payments and gives India's policy-makers some breathing space to tackle the record trade gap. The trade deficit is mainly due to a 10 per cent fall in exports and a 17 per cent rise in imports last year.

One of the main results of the improved reserves position is that the Government has been able to resist pressures to place restrictions on imports of capital goods and components which have been liberalised in recent years to enable Indian industry to modernise means that India has a cushion of some seven months worth of imports in foreign exchange. This is considered a comfortable margin and will enable India easily to meet such debt repayments of the $4.2bn loan taken five years ago from the International Monetary Fund.

The comfortable reserves position is also expected to further improve India's credit-worthiness at a time when it plans to increase its borrowings

Israel bombs Palestinian bases

BY NORAH BOUSTANY IN AINAB, LEBANON

ISRAELI fighter planes struck at a hill yesterday knocking out two guerrilla bases, killing one guerrilla and wounding 12 other people in the mountains south east of Beirut.

It was the closest Israeli raid to Beirut this year and the second since the Israeli invasion in 1982. The Israelis scored direct hits on two buildings housing the Popular Front for the Liberation of Palestine (DFLP) on a hillside overlooking the Druze-held villages of Ainab, Chemlan and Baysour about 15 km from the capital.

The hills provide access from the Syrian-controlled Bekaa Valley to the coastal highway to southern Lebanon. The air strike came four days after Israel raided three Syrian-backed guerrilla targets in the Palestinian refugee camp of Ain al Helweh, in retaliation for a sea-borne operation hours earlier near Israel's northern border.

Mr Mamdouh Nawfal, a Politburo member of the DFLP, surveying the debris at Dheur Ainab, said the Israelis had dropped "1,000-pound vacuum bombs and rockets" in four different swoops over the guerrilla positions.

Nervous guerrillas motioned journalists to leave the sites as the hum of Israeli planes returned, drawing anti-aircraft fire from joint Palestinian-Druze ground defences.

"We were expecting this raid since the Nahariya operation," Mr Nawfal said. "This has been the real response. The Israeli leadership also wanted to show through this attack that it is a determining factor on the Lebanese scene and that it would not allow any security arrangements to succeed unless they serve its interests."

A yellow bulldozer lifted huge stone blocks from a collapsed mountain house used by the DFLP. Fires crackled in the nearby woods and the smell of burning pine cones filled the air. Guerrillas still inshock from the 20-minute raid, in which eight Israeli jets were used, said one of their comrades was missing and could be trapped under the rubble.

A 17-year-old Palestinian fighter, who gave his name as Abu Nabil was still visibly shocked as he stood nursing a bleeding mouth and neck, his head wrapped in blood-stained gauze. He said fellow fighters had been given strict orders to spread out in the bushes since the commando operation mounted by PFLP guerrillas and a member of the pro-Syrian National Syrian National Syrian Social Party against Israeli Soldiers last week.

A DFLP spokesman said he expected more Israeli activity against guerrilla bases in the Druze-controlled Chouf Mountains, aimed at "cleansing the mountains of any Palestinian presence and driving us back behind Syrian lines in the Bekaa" in central Lebanon.

Hardliner takes over in Vietnam

Truong Chinh, widely regarded as one of the most hardline and militant of Vietnam's leaders, was elected yesterday as General Secretary of the country's ruling Communist Party, agencies report from Bangkok. He succeeded Le Duan, who died last week.

Truong climbed slowly back into favour after falling from power in the 1950s because of his ruthless land reform programme. However, Western diplomats said yesterday that because Truong is 79—the same age as the man he succeeded—he is likely to be a transitional leader, holding the post only until the next party congress in November.

More Gujarat riots

Indian Prime Minister Rajiv Gandhi yesterday sent Mr P. Chidambaran, Minister for Internal Security, to the western state of Gujarat as violence continued for a sixth successive day, writes K. K. Sharma from New Delhi. More cases of stabbing and rioting were reported in Ahmedabad, centre of the state's textile industry, and other towns in Gujarat, with the death toll rising to nearly sixty in violence between Hindus and Moslems. The army has been put on alert.

Tamil peace setback

Sri Lanka's main opposition party yesterday rejected a Government-proposed plan to end the island's communal conflict as fighting between security forces and Tamil separatists took 24 lives in the Northwest, writes Reuter from Colombo. The decision by the Freedom Party came as President Junius Jayawardene prepared for a second round of discussions with moderate Tamil politicians.

Suez earnings rise

The Suez Canal has for the first time earned Egypt more than $1bn, according to Mr Ezzat Adel, the canal authority's chairman. He said in an interview in the Cairo newspaper Al-Akhbar quoted by Reuter that the canal's earnings in the year ended on June 30 had exceeded $1bn despite a reduction caused by the Gulf war in the number of oil tanker entries.

Tony Walker reports from Amman on reasons behind new proposals

Jordan offers West Bank aid

JORDAN IS proposing $1bn in economic assistance to the Israeli-occupied West Bank in a move seen in Amman as a "carrot and stick approach" to the Palestinian problem.

The five-year economic development plan for Palestinians on the West Bank emerges at a time of serious tension between Jordan and the leader of the Palestine Liberation Organisation (PLO) since the closure of offices operated in Amman and other centres by Fatah, the mainstream PLO faction whose chairman is Mr Yassir Arafat.

These offices were responsible for liaising with some one million Palestinians living in the occupied territories. Their closure last week followed a February 19 speech by King Hussein in which he denounced Mr Arafat as an unreliable partner in the search for a Middle East peace settlement.

Jordanian officials say the plan to provide financial help to the badly depressed West Bank, which has been under Israeli occupation since the six-day war of 1967, was being formulated well before the estrangement between King Hussein and Mr Arafat.

Western officials in Amman say, however, that the release of details of the plan in the past weeks is aimed at demonstrating to pro-Arafat Palestinians in the occupied territories that despite the rupture in Jordanian-PLO relations, Jordan wishes to

King Hussein—wants Palestinians to stay on their land

fulfil its obligations to the West Bank, which it administered from 1948 until 1967.

The development plan is also seen as an attempt by King Hussein to win support among West Bank Palestinians and wean them away from Mr Arafat. Another—perhaps the most important—reason for the Jordanian plan is to prevent West Bank Palestians, deprived of work and opportunities, drifting to Jordan, and contributing to social, political and economic problems there.

About 750,000 West Bank Palestians are entitled to Jordanian passports. If there were a mass exodus from the West Bank, either under pressure from Israel or because of economic deprivation, the implications would be alarming for Jordan, whose population of abut 2.5m is 60 per cent Palestinian.

King Hussein said repeatedly at a weekend press conference that one aim of the West Bank economic development plan was to encourage Palestinians to remain on their land despite the difficulties of life under occupation.

Mr Taher Kanaan, Jordan's Minister of Planning, said in an interview that since 1967 there had been "almost continuous pressure" on West Bank Palestinians to emigrate. There had been virtually no growth in employment opportunities in the occupied territories.

The situation, Mr Kanaan said, was now much more serious in the occupied territories because the deep economic recession in the Gulf was curtailing remittances from Palestinian workers. Arab aid to the West Bank through a fund established by the 1979 Baghdad Arab League summit had dried up.

He said Jordan hoped to spend some $1.3bn to help housing, public works and education projects on the West Bank. It would solicit money from various sources, including Arab governments, the US and the EEC.

One serious problem facing Jordan in its plans to disburse funds in the West Bank is the continued administration of Arab towns by Israeli military officers. Mr Kanaan said that, if this persisted, it would be virtually impossible to mount the proposed economic rehabilitation programme.

Jordan has been pressing prominent Arabs on the West Bank to assume municipal responsibilities, but intimidation from PLO factions has made them reluctant to do so.

In March Mr Zaffer al Masri, newly appointed Mayor of the West Bank Arab town of Nablus was killed on the grounds that, by accepting the appointment, he was collaborating with the Israelis.

Jordan indicated earlier this year that it was prepared to allow Israel to name Arab mayors for West Bank towns as part of Israel's plan to give greater autonomy to Palestinians in the occupied territories. The autonomy plan was denounced by PLO officials as an unacceptable alternative to their calls for Palestinian statehood.

Jordanian officials insist that the development plans are motivated purely by humanitarian considerations. "They address a wide spectrum of needs and issues," said Mr Kanaan.

"Given time," he added, "it will be seen that they address the development needs of the occupied territories. They are completely detached from parochial political considerations."

Reagan and Congress tackle crowded political agenda

BY STEWART FLEMING IN WASHINGTON

THE US CONGRESS returned to work yesterday on a host of issues which will test President Ronald Reagan and his Republican Party allies ahead of November's mid-term Congressional elections.

The White House believes that President Ronald Reagan can use the radical reform of the US tax system to bolster his own continuing popularity and help the Republicans retain control of the Senate.

The battle for political advantage on the tax reform issue will open later this week when a conference of the House and Senate will begin to hammer out a compromise version of the two bills which have passed the House and the Senate.

Democrats are trying to portray themselves as the defenders of middle class tax allowances. But Mr Reagan has indicated that he, too, will support some of the popular individual tax breaks in the Democrats' House version of the tax bill even if this means offending traditional Republican business constituencies. Mr James Baker, the Treasury Secretary, said over the weekend that businesses are likely to end up with a bigger extra tax burden than the $100bn (£66.5bn) over five years which the Senate bill envisages.

But if Mr Reagan hopes to command the tax reform debate, helped by his shrewd decision after the 1984 presidential election to make tax reform a top domestic priority, he will find it more difficult to defend his political priorities in other areas.

His position is undermined by the failure of the US economy to emerge from two years of sluggish growth. Any continuation of Wall Street's sharp decline would focus attention on economic weakness.

The economic background could make it harder for the President to fight off pressures in Congress for deeper cuts in defence spending as part of efforts to contain the federal budget deficit.

By striking down earlier this month the automatic spending cut provisions of the Gramm-Rudman-Hollings budget reform law, the Supreme Court has thrown back to Capitol Hill the responsibility for agreeing a 1987 budget which will meet the $144bn deficit target the law establishes.

Sluggish growth means that achieving this target will be more difficult. It is widely assumed that the $11.7bn of cuts for 1986 already made under the now unconstitutional deficit reduction procedure will now be ratified by Congress through the normal legislative mechanisms. But on August 15, just as Congress is due to go on holiday, official projections may show that a second round of cuts is needed. Defence will be an area to which many on Capitol Hill are likely to turn in search of more savings.

In the budget resolution which has already been approved by the House and the Senate, Mr Reagan's ambitious $320bn defence budget request has been rejected in favour of a figure of $292bn, and there are preliminary indications that when Congressional committees get down to working on detailed spending decisions White House priorities such as the Strategic Defence Initiative are likely to be trimmed back significantly.

The weakness of the US economy, which is increasingly being blamed by politicians here on the failure of America's industrial country trading partners to grow faster, seems likely to intensify pressures on Capitol Hill for the passage of essentially protectionist trade legislation. The Administration is resisting these pressures which are coming from both Republicans and Democrats.

It is far from clear, however, that its position resisting legislation while taking a tough line with its trading partners on specific issues will be sufficient to prevent its political enemies making trade a potent political issue at least at the regional and local level at which Congressional elections are fought.

Mr Reagan is also facing an incipient revolt on Capitol Hill to the Administration's policy of "constructive engagement" in South Africa. Significantly Senator Robert Dole, the Republican Senate majority leader, last week questioned the Administration's stance.

One question which is being asked in Washington is how Congress can find the time to address this broad array of issues. There are hopes, expressed over the weekend by Senator Phil Gramm, that Congress may be able to take a two-week break at the end of August and still complete work on a tax reform bill by early September. Then, if Congress is to reach its goal of going into recess early in October to campaign for the November elections, it will either have to race to complete work on its 1987 budget and address the trade issue in just a few weeks. Otherwise a "lame duck" session of Congress after the November elections could find itself having to make some potentially far reaching decisions.

Violence prompts protests in Brazil

By Ivo Dawnay in Rio de Janeiro

PUBLIC protests are growing in Brazil at the rising tide of urban violence and the apparent lack of power of politicians to tackle the issue, now universally regarded as at crisis levels.

A survey, published yesterday in Rio de Janeiro, revealed that more than 38 per cent of the 500 citizens interviewed had been victims of some kind of assault. Over 60 per cent of respondents—taken from a cross-section of all classes and backgrounds—claimed that a close relative had suffered an attack.

Reports of robberies, sometimes of whole buses of commuters, or the systematic pillaging of apartment blocks are often ignored by the press as inconsequential. Homicides in Rio are more frequent than traffic fatalities, though the police refuse to release full data.

Confiscated firearms in police stores now number some 130,000 and range from the latest Israeli submachine-guns to 19th century flintlocks. Their number is rising by some 800 a month.

Last month a shanty dweller who alleged police harrassment and appealed for protection from the authorities, was shot dead—his family claim by the policeman against whom he intended to testify. In Sao Paulo last week, clashes between police and striking crop pickers left two dead.

In the rural areas, fighting provoked by the land reform issue has run up a death toll in the hundreds over the past two years.

This rise in violence has sparked claim and counter claim between politicians and parties as the country gears up for the November federal and state elections. The fiercest clashes have taken place between Mr Paulo Brossard, the Justice Minister, and Mr Lionel Brizola, the Governor of Rio de Janeiro state and the government's most prominent opponent.

Mr Brossard last month accused the governor of failing to tackle the crime problem, adding that Rio suffered more violence than all the incidents arising from land reform taken together. Mr Brizola has angrily refuted the claim, but last week he replaced his police chief and appeared ready to introduce new measures to tackle crime.

US considers black as envoy to S. Africa

THE REAGAN Administration is considering appointing a black businessman as the next US ambassador to South Africa, a government official confirmed yesterday, AP reports from Washington.

If he is selected, Mr Robert Brown, 51, who runs a public relations and management consultant firm in High Point, North Carolina, will succeed Mr Herman Nickel, who is on leave and who is expected to step down soon.

Also under consideration is Mr Richard Viets, a career diplomat who has served as ambassador to Tanzania and Jordan.

Earlier this year, Mr Brown led a group of black educators to South Africa to help develop a US programme for training teachers and otherwise improving educational opportunities for blacks in the country.

Mr Brown has served as a special assistant to former president Richard Nixon.

A White House spokesman had no comment on the report, first disclosed by Time Magazine this week, saying. "We never comment on possible ambassadorial appointments until the announcement is made."

Mr Brown would be the first black ambassador to the white-ruled country. A black, Mr John Burroughs, is the Consul-General in Cape Town.

Robert Graham considers Gen Pinochet's determination to clock up a quarter century in office

Chile's leader defies rising tide of protest

GENERAL Augusto Pinochet, the Chilean military ruler, is nothing if not brazen in his self-confidence. He has just announced, in the most unambiguous manner so far, his intention to stand for office after his present presidential term expires in 1989. The new eight-year term, if accomplished, would leave him an octogenarian having ruled Chile for almost a quarter of a century.

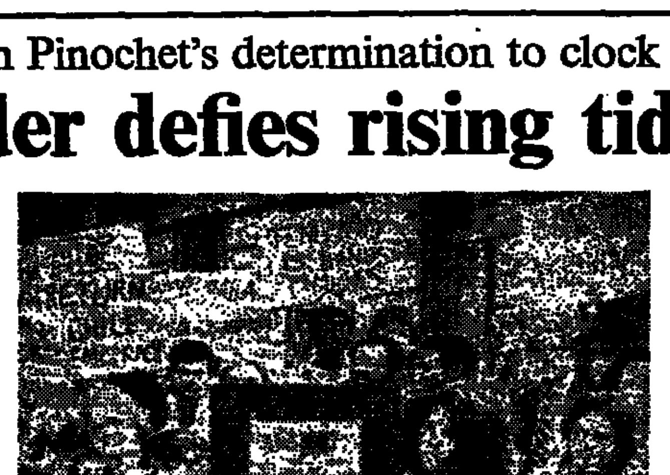
Such a statement of intentions can only be understood within the legal framework that Gen Pinochet has wrapped his regime. Under the terms of the 1980 Constitution, which was approved by a referendum manipulated in the Government's favour, the leadership has the right to choose a candidate for the next presidential term. Gen Pinochet has always hinted that he would like this to be a simple plebiscite in favour of a single candidate — i.e. the one chosen by himself.

He has on several occasions suggested that he might be the candidate but never so explicitly. In doing so, he has merely given a legal dressing to what all authoritarian rulers like to do: to perpetuate themselves in power. Like Spain's former caudillo, Gen Franco (whom he much admires), Gen Pinochet seems determined to rule Chile until he goes "feet first."

The 70-year-old general, who overthrew the late President Salvador Allende in September 1973, is exceptionally fit, and no Chilean doubts his stamina or his political skills. Yet to declare what amounts to a tenure for life at this juncture is probably more of a reflex action to the new wave of protests than a carefully constructed strategy. In the past whenever he has felt threatened he has reacted by playing tough.

On July 2, two days of protest strikes were called by a recently formed umbrella organisation, the National Civic Assembly. The Assembly cuts across many of the traditional political divisions that have marked the opposition to Gen Pinochet, and also included new middle class groups plus organisations like the powerful conservative truckers. Although the stoppages were less spectacular than some of the protests in the past three years, they signalled a far more broad-based anti-Pinochet movement.

Precisely because of this, the strong-arm tactics used by the regime to repress the protests have brought wider condemnation, including this time from the US Government. A US delegation is this week investigating the death of a young student, Mr Rodrigo Rojas, who had just returned from the US where his mother was a Chilean political exile. The student died of burns, allegedly as a result of having been soaked in petrol by members of the security forces. He was one of eight persons who died.



A crowd outside the Chilean embassy in Washington protest against the death of Mr Rodrigo Rojas. The US Government lodged a formal protest with Santiago about the student's death

Until Gen Pinochet's announcement, the aim of the main centre and centre right opposition parties, led by the Christian Democrats, has been to accept that Gen Pinochet remain in office until 1989; but that he will prepare for a gradual transfer to a democratic system with direct presidential elections, perhaps preceded by elections to a constituent assembly. This platform has been joined by the Roman Catholic Church hierarchy which has sought to act as an honest broker with the Government. Meanwhile, the left, headed by the true Communist Party has remained ambiguous.

The opposition suffers from two major weaknesses which Gen Pinochet continues to exploit. It is divided into two broad blocks of centre-centre right and the Left. But within this there are considerable ideological and personal differences.

Secondly, the political parties reflect the state of politics during the Allende period. Since then a whole new generation of persons has grown up without real political allegiance and direction.

So long as the armed forces continue to back Gen Pinochet the opposition has no power to persuade other than through protest. There is some evidence to suggest that members of the armed forces whose three service arms retain separate identities, are in favour of Gen Pinochet stepping down in 1989.

They argue that sooner or later there has to be a transition and the lid removed on political activity — otherwise society becomes more polarised and eventually more unstable.

But supporters of this view have yet to resolve the fate of Gen Pinochet himself. A man who has held such power for so long cannot easily step down and become a private citizen. His life would be at risk: it is doubtful if any country would accept him as an exile; and there would be a possibility of a trial for human rights abuses committed during his rule. The armed forces themselves risk having their own members out on trial for human rights abuses.

In this situation the hermetic corpus of the military hierarchy tends to close ranks and prefers to back the person it knows. This is not Argentina with a disgruntled military. Furthermore, Pinochet, believing he saved the nation from political anarchy and financial chaos by overthrowing Allende, is not going to step down willingly when the aftermath is so uncertain. He is also aware that if he were to give ample warning of his withdrawal from the scene, he would immediately become a lame duck leader.

On this basis, the political parties will continue to be denied sufficient time to organise themselves.

No fundamental change in this vicious cycle can occur unless one or more things happen: protests weaken Gen Pinochet's will to govern; the armed forces, or elements within them, take a firm stand against Gen Pinochet; the middle class and business feel their interests are best served without Gen Pinochet; and external pressure, especially from the US, is made more effective.

The US is beginning to be more active in counselling Gen Pinochet to liberalise, to prepare the ground for a transition. But US policy is still unrealistic to the extent that it has not contemplated what should happen to Gen Pinochet after office.

The middle class and business has been wavering since the protests began in 1983 and they are wary of political parties. There is no predictable catalyst for change unless Gen Pinochet loses his will to govern or the armed forces act.

WORLD TRADE NEWS

Japan 'needs to speed shipbuilding reductions'

By Andrew Fisher, Shipping Correspondent

THE SURGE in the value of the yen has increased the urgency of the capacity cuts being worked out by Japan's shipbuilding industry and the Government, an official of Japan's Ministry of Transport said yesterday.

Cuts of 20 per cent in total yard capacity have been recommended by a Government advisory panel, following the worldwide slump in demand. While this should bottom out in 1988 and pick up in the 1990s, output is still likely to be well below that of the mid-1970s or early 1980s.

The Government wants the reductions recommended by the Council for Rationalisation of Shipping and Shipbuilding Industries to be implemented by the end of the 1987-88 fiscal year.

Since the yen now stands at about Y160 to the dollar against Y240 when the council's report was prepared last autumn, so reducing Japan's export competitiveness, the capacity cuts should take place as soon as possible, said Mr Nobutaka Nambu, a director in the international affairs office of the ministry's shipbuilding division.

The big shipbuilding companies will be able to cut capacity within their own yards or in co-operation with each other. But smaller yards with only one berth will find the adjustment hard. "There may be some bankruptcies," he said.

Present capacity of around 6m compensated gross registered tonnes will be lowered to just under 5m cgrt under the rationalisation plan. The cgrt measurement takes account of the work and skill content of ships, as well as size.

The council forecast in its report that production would fall to a low of 3.1m cgrt in 1988 from 3.3m in 1987 and 4.8m this year—in 1984, the figure was 5.85m, with 8m cgrt exceeded in the mid-1970s—and then recover to reach 5.2m in 1995, before easing slightly again.

● China's state-run shipbuilding industry received 13 foreign orders in the first six months of 1986, the official China Daily reported, AP-DJ reports from Hong Kong.

The English-language newspaper said the orders were worth $130m, equal to the total amount received by the industry in 1985. The vessels are to have a total deadweight of 240,000 tonnes.

Pirelli wins $20m contract from Tunisia

By Alan Friedman in Milan

PIRELLI, the Italian tyres and cables group, has won a $20m (£13.07m) order to supply machinery, engineering and technical assistance to Tunisia which has just opened a tyre plant built under the supervision of the Italian group.

The plant, located at Msaken near the city of Sousse, has productive capacity of 7,700 tonnes a year and will employ a workforce of 500. Pirelli says it has provided training, personnel, technology and machinery.

The Italian group will also take a 12 per cent shareholding in the tyre plant. The other 88 per cent is controlled by the Societe Tunisienne des Industries de Pneumatiques (STIP), the state tyre company.

The Tunisian Government also owns another plant, formerly controlled by Firestone tyres, which produces 4,000 tonnes a year. The new Pirelli-built factory will increase domestic production to 80 per cent of Tunisia's requirements.

Pirelli was unable yesterday to disclose the total value of the new tyre plant, but said it would specialise in the manufacture of tyres for industrial vehicles.

Christian Tyler, Trade Editor, looks at a contentious issue for the coming Gatt talks

Developing countries dig in for services battle

After four years of procedural wrangling there is a hard core of governments still determined to scotch the services snake by procedural means if they cannot kill it by force of numbers. Ranged against them and the trading superpowers of the US, the EEC and Japan who accounted for 74 per cent of world exports of services in 1984, down from 81 per cent 10 years earlier.

IN THE remote Siberian town of Yakutsk, Indian films are especially popular. They are popular because few other foreign films are ever screened at the local Palace of Culture. Films that show love, but no kissing or sex, are deemed by the communist party to be suitable for the passionate youth of the permafrost.

Not just in the Soviet Union or China, but in West Germany and France, fear of cultural pollution by alien entities can be a powerful restraint on the free flow of international trade in services.

Lifting the barriers to trade in services whether in films, banking, shipping or data processing, is, therefore, a sensitive issue.

Government regulators everywhere justify protection of domestic service industries on grounds of national culture and identity, economic development, consumer protection, health and safety, or defence.

This fact helps to explain the barrage of objections, political, commercial and constitutional implied by the paper presented by trade negotiators of 10 developing countries in Geneva last week.

Their aim is to prevent any renegotiation of the General Agreement on Tariffs and Trade (Gatt) that would result in services being brought alongside goods in a system of global trade rules.

The next Gatt negotiating round is due to be launched by trade ministers at Punta del Este, Uruguay, in two months' time.

Yet after four years of wrangling over the question, there is a hard core of governments—India, Brazil, Argentina, Egypt and Yugoslavia—still determined to scotch the services snake by procedural means if they cannot kill it by force of numbers.

Ranged against them are the trading superpowers of the US, the EEC and Japan, who accounted for 74 per cent of world exports of services in 1984, down from 81 per cent 10 years before.

Their case for negotiating services in the Gatt rests on the fact that trade in invisibles is worth an estimated $400bn a year, or about a quarter of all trade.

In the US, nearly three-quarters of all jobs outside agriculture and the armed forces are in the service sectors. The proportion in the more advanced developing countries ranges from 30 to more than 50 per cent, according to a recent study, and their exports have grown 27 per cent annually over the past decade.

Even so, less than 10 per cent of services output is tradeable. Greater exchange of services, it is argued, could provide the same kind of fillip to world economic growth that successive rounds of tariff cuts on industrial goods gave in three decades following World War II.

Furthermore, say the free traders, many services are inseparable from manufactures, and the service content is increasingly valuable.

There have been two main sticking points to US-led demands for a Gatt negotiation on free trade in services.

The first was, and is, political: to convince a sufficient majority of nations that there would be few losers and many winners if markets were opened on the Gatt basis that a concession to one trading partner in the Gatt is a concession to all.

It has proved difficult to persuade developing countries, suspicious as they are of western multinationals, that they stand to gain from liberalisation.

Some would undoubtedly suffer a temporary balance of payments loss. Others, like India and South Korea who are big exporters of construction services, for example, should gain.

Some economists insist that countries that refuse to buy services from abroad will retard, not advance, their own development, although they accept the merits of the case for protecting "infant industries."

But is Brazil, for example, helping or hindering her export potential — so necessary for servicing a huge external debt — by sheltering her young information technology industry from US and Japanese competition?

Despite a noisy rearguard action by important members of the Third World, such as Brazil, that still threatens to disrupt September's trade summit in Uruguay, the diplomatic battle, if not the intellectual battle, may already be won.

The second hurdle for the free traders is technical or philosophical: to imagine what kind of rules could be framed for trade in services (invisible transactions difficult to count or price) that would give effect to the Gatt principles already applied to visible and measurable goods.

A fundamental question — because it touches once more on national sovereignty — is raised here: traded goods are shipped from one country to another, but services, apart from those that can be sent down the telephone line, have to be delivered on the spot.

Gatt rules on market access for services would, it seems, have to cover the right of establishment in the customer's country and hence impinge on the country's freedom to make its own foreign investment rules.

Despite these and other difficulties, ways of tackling a negotiation have been outlined by experts in the organisation for Economic Development and Co-operation in Paris, the EEC Commission in Brussels and the secretariats of the Gatt and Unctad in Geneva.

One idea is that all barriers to trade in services should first be catalogued, then divided into those that affect trade and those that do not.

Definitions would have to be drafted as to what kinds of protection were "appropriate" — that is, crucial to national sovereignty.

Trading partners would then argue about which of each country's barriers were legitimate, and which protectionist. Only at this stage would the process of negotiating mutual concessions (automatically extended to all Gatt members) begin.

In other words, the first stage would be to search for a system of rules. Only then would markets begin to open. According to its propounders, the first stage should be obligatory, but the second would be voluntary.

Unless the Punta del Este meeting collapses in complete disarray, some variant of this "negotiate now, give later" proposal could be adopted.

If new rules cannot be drawn up, at least a code might result — a "General Understanding on Trade in Services."

"Guts," as it is already being called by some, would open a new chapter in the 40-year history of the Gatt. But it would not of course put sex films on show in Yakutsk.

* *Trade in services, and the developing countries; Jeffrey J. Schott & Jacqueline Mazza, Journal of World Trade Law.*

Turkey and US in textiles agreement

By David Barchard in Ankara

TURKEY and the US have signed a "memorandum of understanding" which should make possible increased Turkish textile exports to the US.

The US Administration has been under conflicting pressures from US textile manufacturers and the Turkish Government, a key North Atlantic Treaty Organisation ally in the Middle East, over Turkey's rapidly growing textile exports.

Last year the US bought 96.8m square yards of textiles from Turkey for about $121m (£79m).

Total textile exports from Turkey last year were about $2.3bn. The speed at which the country's textiles industry is growing has alarmed producers in many advanced industrial countries.

Last April, however, Turkey reached agreement with the EEC on a set of voluntary restrictions on its textile exports. It now looks as if a similar arrangement may be worked out with the US whereby Turkish producers will be allowed to expand their share of the market by a relatively gradual amount each year. It is believed the "memorandum of understanding" allows annual growth of about 12 to 15 per cent in Turkish textile exports to the US.

India to buy Soviet aircraft

By K. K. Sharma in New Delhi

THE Soviet Union has agreed to sell India two squadrons of its latest Mig-29 fighter. The aircraft will be made under licence at Hindustan Aeronautics plant which is already manufacturing earlier types of Migs.

India will be the first country outside the Soviet Union to operate the aircraft.

Migs are the Indian Air Force's principal aircraft. An advance version of the Mig-21 was built by the government-owned Hindustan Aeronautics, after which the Indian Air Force acquired the Mig-23 and Mig-25. It also has an option to buy the Mig-27, but this is unlikely to be exercised in view of the Mig-29 deal.

The Mig-29, codenamed Fulcrum, is fitted with advanced radar, enabling it to operate day and night and in all weathers.

India has already acquired 40 Mirage 2000 fighters from France and it recently signed an agreement to buy more. It has also bought Jaguars from Britain and this aircraft is being assembled by Hindustan Aeronautics in Bangalore.

India is also developing its own light combat aircraft which it hopes to commission in the 1990s.

Investment in Portugal falls

By Diana Smith in Lisbon

NEW DIRECT foreign investment in Portugal fell to Es 10bn (£39.2m) in the first half of 1986, against Es 12bn in the corresponding period of the previous year. This is the first drop in many years and comes at a time when Portugal could attract growing foreign investment as a new EEC member.

In Spain foreign investment grew by 20 per cent in the first half of this year.

Much of the problem appears to stem from Portugal's slowness in publishing the new foreign investment code that gradually reduces Portugal's bureaucracy and adapts its procedures to the Treaty of Rome.

Tokyo and Washington to resume aviation talks

BY CARLA RAPOPORT IN TOKYO

JAPAN and the US will resume bilateral civil aviation talks in Washington tomorrow.

The talks broke off in early April, following a disagreement on the increase in the number of Nippon Cargo Airline's weekly flights to the US.

Nippon Cargo flies to the US six times a week. It is understood that the two sides have now agreed to increase this number to nine.

The US negotiators have been pressing for concessions on the number of chartered cargo flights from the US and Japan as well as a reduction in customs procedures at Tokyo's Narita Airport for incoming cargo flights.

The US has also been seeking rights to fly on from Tokyo to other domestic Japanese airports. The Japanese have apparently agreed to the first two requests, but are adamantly opposed to granting the demand to fly on from Narita.

Japanese negotiators say that the US has softened its stand on flying beyond Tokyo. The Japanese claim the US demand would disrupt the basis of the current Japan-US aviation accord.

● Singapore yesterday gave 12 months notice to terminate an air services agreement with Canada, the civil aviation authority of Singapore announced, AP reports from Singapore.

Singapore and Canadian officials met last week to discuss ways to amend the bilateral agreement, following similar meetings in Ottawa in March, but no agreements were reached, the authority said.

The existing agreement, first concluded in 1984, places numerous restrictions on Singapore Airlines, effectively reducing its ability to commence services to Canada, a statement said.

Singapore has placed no restrictions on Air Canada or Canadian Pacific Airlines' services to Singapore and beyond.

"Singapore proposed modifications to the agreement which will remove the current restrictions placed on Singapore Airlines, so as to provide for fair and equal opportunities for the airlines of both countries. In addition, the proposal would provide greater opportunities for the airlines. Canada was not prepared to accept these modifications."

TECHNOLOGY

LEFT: Assembly is on individual pallets. Plastic parts are called up from the material handling system and delivered to the line via a conveyor. CENTRE: An overview of the nonsynchronous palletized line. RIGHT: Discovery 11s on the last leg of their journey through Electrolux's automated plant in Bristol Virginia

The cleaner that swept the factory floor

The US company launches attack on the upright vacuum cleaner market. Terry Dodsworth, in New York, on how automation allowed quality and cost targets to be met.

TWO YEARS ago the top management of Electrolux US, the American vacuum cleaner concern hived off 18 years ago by the European group of the same name, set itself a simple but extremely ambitious challenge. After virtually 60 years of concentrating on canister vacuum cleaner manufacturing, it decided to attack the growing market for upright models. Its target was to make an upright at a price that would open up the prospect of large volume sales while sacrificing none of the company's hard-won reputation for high quality products.

Today, as orders for the new cleaner, the Discovery 11, roll in at a rate far exceeding the company's present ability to produce, the management claims that it has largely met its objectives. Executives say that in terms of quality the new cleaner matches anything the company has ever produced. Yet it retails at only $299, about $200 less than Electrolux would have expected to have sold it under the cost structure of its traditional manufacturing regime.

To achieve this sharp reduction in costs has demanded a level of automation which the company claims is unparalleled in the US industry. "If we had produced this model by traditional means, our manufacturing costs would probably have been twice as high," says Mr Dave Jones, the plant manager at the group's Bristol plant in Virginia. "On employment costs alone, this product demands less than half the amount of labour that is required to build comparable products."

The production line for the Discovery 11 employs approximately 80 people in total and is vitually a self-contained entity. Plastic in the form of resins flows out of bins at one end of the process, and is injected into moulds to produce components, which are then passed along by a series of robots for trimming, stamping and finishing. These parts are subsequently transported to a central warehousing buffer zone by a fleet of five automated guided vehicles, and finally dispatched to the assembly line, where another battery of robots helps operators to glue and screw them together.

The decision to opt for a comprehensive in-house production line was made early on in the planning stage, says Mr Homer Moeller, head of manufacturing, because Electrolux believed it would have better control over quality if it limited the use of outside suppliers.

Deciding on this route also meant, of course, that the company was forced to control costs inside the plant rather than by pushing the problem off onto sub-contractors. Among the ways it has achieved these cost reductions are:

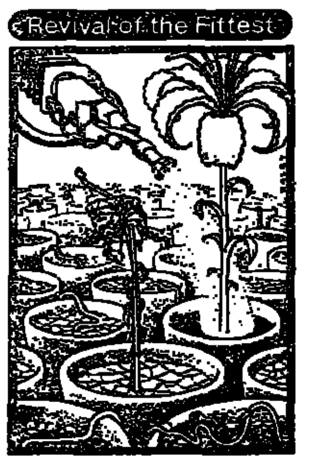
● Lower inventory levels. The entire production line is aimed at running with virtually no excess work-in-progress. Indeed, if any of the machines started throwing up substantial defects, the next ones down the line would grind to a halt—a big incentive to producing to the right quality.

As a matter of policy, the Bristol plant stocks an average of only three days' supply of parts—and some may be held for as little as four hours. This compares to the 20 days' average supply level the plant used to hold on its traditional manufacturing lines, and means that around $4m has been taken out of stocks.

● The use of plastic. Electrolux decided to move to plastic because "it is cheaper as a raw material, easier to process and requires less labour," says Mr Jones. Moulded plastic parts are inherently more precisely formed than the steel stampings that Electrolux used previously in its cleaners.

● Electronic controls. Moulding technology is progressing by leaps and bounds at present, says Mr Jones, and one of the keys to this progress is the standard of the software governing the moulding machines. It is vital, for example, to apply exactly the correct amount of heat to produce parts that will not crack and break.

Using vacuum feeding processes, which ensure that virtually pure resins are fed into the machines because they come through a sealed, automatically monitored system, Electrolux reckons that it is achieving almost immediate gains. "The entire investment in the silos and the vacuum feeding system was paid for in seven months from the reductions in materials and operational costs," says Mr Jones.



● Robots. One example of robot technology in the plant is a component production cell where a robot moves parts into and out of large injection moulding machines. This runs for a full three shifts a day, and does the job of three operators who would have been paid around $25,000 each a year. Thus, on a $100,000 investment, the robot is expected to have paid for itself in reduced costs in a little over a year. The basic structure of the machine was bought from Cincinnati Milacron off the shelf, says Mr Jones, although special tooling was added at a cost of around $10,000.

The plant also contains some more specialised robot applications. On the assembly line, for example, is a small robot which applies glue to a part that has to be stuck together to form a perfect vacuum seal. Made by Panasonic of Japan, the machine moves through an elaborate curve, squirting out glue with far greater precision than could ever be achieved manually.

In another up-to-the-minute application, Electrolux is making use of vision technology in the moulding area, with a machine that runs checks on the names imprinted on the cleaner by matching the printed shape against a memorised image.

● Materials handling. The moulding machines are served by computer-controlled automated guided vehicles (AGVs) which jockey parts around the system and into the storage area in large bar-coded storage bins.

On the assembly line, the company has abandoned its former carousel system of delivering parts to operators in favour of a powered conveyor line working on a non-synchronous basis. This demands much less inventory in the system, and allows workers and robots to work in a stationary position, only passing parts on when they are satisfied that there are no defects in them.

From beginning to end of the process of planning and installing the Discovery 11 line took Electrolux only around 16 months. This smooth transition was probably due partly to the modest size of the investment in the new processes—Electrolux's total expenditure on the Discovery 11 amounted to about $5m against the $16m being spent on upgrading the Bristol facility. But the group also planned the changes meticulously.

First of all, top management decided right at the beginning to bring in a new team of manufacturing experts. Traditionally a marketing-driven company—it still sells through a team of 26,000 direct door-to-door salesmen—the company realised that it needed new manufacturing skills and sought them out in General Electric's domestic appliances division. Both Mr Moeller and Mr Jones came from GE's dishwasher plant, where they had used similar plastics technology and production lines.

Second, the company has not been afraid to add costs heavily in the professional services and engineering field. The numbers of specialists in the planning and control area has more than doubled to almost 90 since the new product was planned.

Third, rigorous standards on the equipment brought into the plant have been imposed on suppliers. Using principles employed at GE, the internal Electrolux engineering staff has developed the general concepts of the production lines, working out rough costings, and then gone with its plans to specialized engineering suppliers.

None of these companies makes anything. They each specialise in putting systems together using machines bought from a variety of suppliers. "These guys are small, very dynamic and flexible, and they have a lot of engineering talent that can react very quickly," says Mr Jones. They were asked to assemble the new equipment in their own facilities and take out all the bugs before shipping it to Electrolux.

This debugging technique worked particularly well, according to Mr Jones, on the assembly line, which was up and running at full production within three weeks of the first piece of equipment being moved into the plant. "We designed the line to achieve 90 per cent uptime, but we reached 95 per cent within five weeks," he says. Normally he would have expected to have taken between three and four months to arrive at the same point.

Already, just a few weeks after the market launch of the Discovery 11, Electrolux is working on a substantial expansion. The line was planned for a maximum capacity of 1,000 machines a day, and commissioned at a rate of 750. But the management is now scaling up to go to 2,500 a day in August by adding more moulding cells, extra robots on the assembly lines, and moving to two shifts in the assembly area.

The reason for this expansion is the high level of demand created by the new model. Electrolux has traditionally aimed at a premium market for cleaners in the $400 to $600 range, and on its previous attempt to enter the upright market in the late 1970s, it produced a product that proved to be too heavy and too expensive at almost $500. The new $300 machine has taken the company into a higher volume sector of the market—and into a different competitive ball game. It shows, says Mr Moeller, "what a compelling weapon a strong manufacturing system can be."

● Previous articles in this series:

May 28: Swatch, Swiss watch maker.

June 3: Hoover, British domestic appliance manufacturer.

June 17: VEGE Motoren, Dutch remanufacturer of car engines.

July 8: Bellot, French flour miller.

Knowledge bank for air traffic controllers

By Geoffrey Charlish

AIR TRAFFIC control by the 1990s will probably benefit from the use of intelligent knowledge based systems (IKBS) used "on-line" to assist the controllers in their work. These are computer systems that are able to store and make intelligent use of the specialised human knowledge in the same way that a human being would.

Logica, the UK software systems house, has just completed a study for the Civil Aviation Authority which indicates that new and sophisticated computer aids will be needed to cope with the increased number of aircraft in the coming years.

UK spending on office automation

OFFICE AUTOMATION Guide, 1986, has been published by Wharton Information Systems, Twickenham, UK (01-891 6197) and its review of 1985 shows that the average company budget for office automation was only £100,000.

Most firms (65 per cent) are spending the money on personal computers and computer terminals (45 per cent). But 30 per cent are spending at least some of the money on local area networks, dedicated word processors and/or office automation systems.

Electronic typewriters and internal-only phone exchanges were the lowest priority — some 25 per cent of the respondents plan to spend some money in this area.

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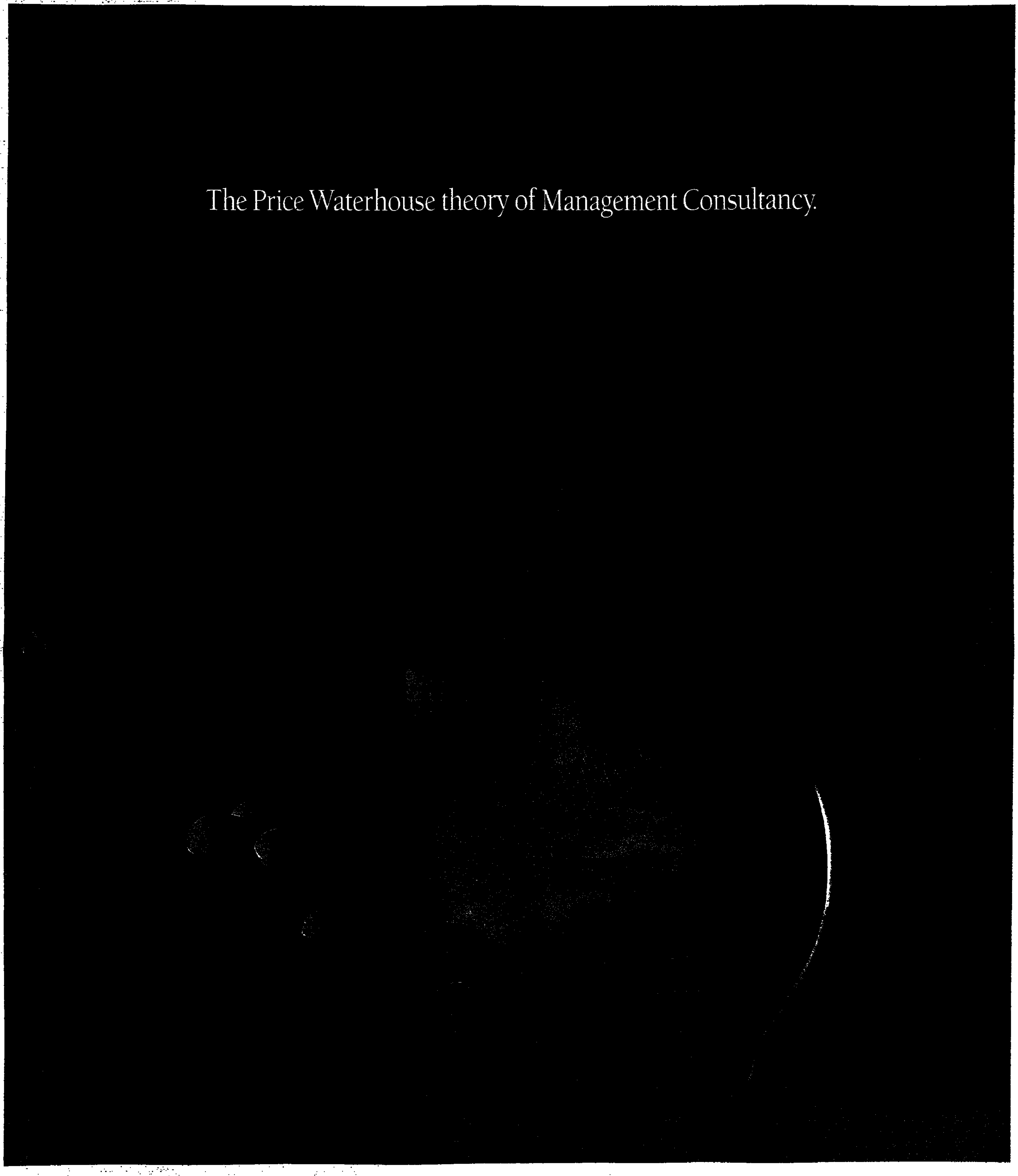

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Legal Notices

No. 003143 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
WOLSELEY plc
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 18th June 1986 confirming the cancellation of *the sum standing to the credit of the* Share Premium Account of the above-named Company as at 23rd April 1986 was registered by the Registrar of Companies on 4th July 1986.

Dated this 9th day of July 1986.
SHARPE PRITCHARD & CO.,
40 Long Acre,
London WC2E 9JT.
Agents for
RYLAND MARTINEAU & CO.,
41 Church Street,
Birmingham B3 2DY.
Solicitors for the above-named Company.

Clubs

Art Galleries

APPOINTMENTS

British-American Tobacco Co chief

Mr W. J. Dickson has been appointed managing director of BRITISH-AMERICAN TOBACCO COMPANY. Mr E. A. A. Bruell, who previously held the position of chairman and managing director, continues as chairman. Mr R. S. Hartley has also joined the board. British-American Tobacco Company is a member of the B.A.T. Industries Group.

*

At W. CANNING Mr David Probert has become executive chairman. He succeeds Mr F. J. Essex, who has relinquished the office of non-executive chairman but remains as a non-executive director. Mr Probert has been chief executive since 1979. He is also non-executive deputy chairman of the Crown Agents and a non-executive member of the board of Associated Steel Distributors and Linread.

*

Mr Jim Cleary has been appointed chief executive of TIP-EUROPE—the new parent of all TIP companies in Europe—following the purchase of the company from Gelco Corporation (USA). Mr Cleary was executive vice president of TIP Inc in Bala Cynwyd, Pennsylvania.

*

Mr Rodney F. Hall, a director of Investors in Industry, and Mr J. Richard Gawthorne, a director of Prudential Portfolio Managers, have been appointed non-executive directors of the company formed for the management buyout of GOMME HOLDINGS, shortly to be renamed Gomme Ltd.

*

Mr Dennis Blair has joined THE CHASE MANHATTAN BANK, NA, as managing director in London of its new index fund and hedging group. Mr Blair will be responsible for the development and marketing of specialist investment services, with particular emphasis on a range of specialised index funds and implementation of protective hedging techniques in the UK. Prior to joining Chase, Mr Blair was managing director of Welbeck Pension Services, part of the Burton Group.

*

SIPHER DESIGNS (ELECTRONICS) has appointed Mr James McM. Ure its technology director. He joins Sipher after a period in management consultancy.

*

Mr Roy Amos has been appointed to the board of MANDERS (HOLDINGS) as a non-executive director. He is an executive director of IMI and chairman of Marston Palmer, a member of the IMI group.

*

Two directors have been appointed to the board of McKECHNIE BROTHERS. They are Mr John Kembery and Mr Stuart Moberley, who have both been with the group since 1981. Mr Kembery will continue in his executive duties in the metals division. He will also become increasingly involved in strengthening technical and commercial links with McKechnie's overseas metals operations. Mr Moberly remains chairman of McKechnie's plastics division but will also assist the group chairman in corporate development.

Mr W. J. Dickson, managing director of British-American Tobacco Co

*

FRANK MANSFIELD & CO (MANSFIELD CRUSHERS) has appointed Mr Mike S. Searle to the main board. He was recently appointed a director of the wholly-owned subsidiary Mansfield & Sons (Mansfield Projects) and now has special responsibility for technical matters, relating to both the holding company and its subsidiaries, where he will be providing specialist knowledge in the field of project design, manufacture and installation within the quarrying and allied industries.

*

Mr John Dance has been appointed managing director of WALTER LAWRENCE (CITY), a division of Walter Lawrence Construction. Mr Dance joins Walter Lawrence after more than 20 years with Trollope & Colls, the last seven as a director.

Mr John Dance, managing director of Walter Lawrence (City)

*

The London branch of KANSALLIS - OSAKE-PANKKI, Finland's international bank, has reshaped its management structure. Mr David Herd, Mr David Hylton, Mr Michael Phillis and Mr Ross Tanner — senior managers in charge of, respectively, project finance; operations; foreign exchange and money markets; and credits and marketing — are all appointed assistant general managers. Mr Brian Allderson, manager, specialised credits, becomes senior manager, UK banking, with additional responsibilities covering property lending, UK commercial banking and UK major corporates. Mr Joakim Helenius, manager capital markets, is also appointed senior manager, and retains his current responsibilities. Both he and Mr Allderson join the branch management committee.

*

Mr John Draper and Mr Chris Evans have been appointed associate directors of CHILTERN FINANCIAL SERVICES.

*

Mr E. J. S. Garrett and Mr A. D. K. Procter have been appointed directors of WILLIS FABER & DUMAS.

*

Mr Harry Armstrong has retired as chairman of BANKSIDE UNDERWRITING AGENCIES and the Lloyd's underwriting agency companies of Bankside Syndicates and Bankside Members Agency, but will remain a non-executive director of the companies. The new chairman is Mr Derek Biggs who retains his role as managing director.

*

Partners at Peat Marwick

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*

SOAG MACHINERY, a member of the Hunter Douglas Group, has made management changes. Mr D. A. Vaughan becomes managing director to succeed Mr P. Flatter who retires. Mr Vaughan was sales director, machine tool division. Mr B. Caddick has been made commercial director (designate) to succeed Mr L. White, finance director. Mr Caddick was previously with Gunnebo. Mr H. H. Burkhardt, technical director, will be succeeded by Mr H. Grimes as technical manager. Mr P. W. Flint continues as sales director graphic arts division and takes over after sales service. Mr L. Marsh succeeds Mr Vaughan as sales director, machine tools division. He was sales manager.

*

EGGAR FORRESTER HOLDINGS GROUP has been split into two, Eggar Forrester (Holdings), and Wilks Shipping Company. Mr Paul Willcox has been appointed managing director of the new Eggar Forrester (Holdings) with Mr Peter Talbot Willcox (chairman), Mr D. H Gault, Mr B. B. Kimber, Mr Simon de Courcy Hughes and Mr Michael Hodgson (chief executive of Douglas and Gordon). Mr de Courcy Hughes has been appointed managing director of Eggar Forrester, shipbroking company of the group. The board and management of Wilks Shipping Company under the chairmanship of Mr Willcox is similar to that of the previous Eggar Forrester (Holdings).

*

Following the appointment of Mr David Gration as commercial director of CELLTECH, Mr E. Berriman and Mr N. A. Holladay have been appointed sales director and marketing director respectively. Mr Berriman, previously general manager of Celltech's culture products division, will be responsible for all Celltech's existing contracts and products. Mr Holladay, previously director of Healthcare marketing, continues to be responsible for development and marketing of Celltech's new human therapeutic products.

Mr J. E. Berriman, sales director of Celltech

*

Mr Peter Friedmann has been appointed an executive director of NOMURA INTERNATIONAL where he will be responsible for developing sales and trading operations in DM, ECU and FLS fixed income instruments. He joins from Bear, Stearns International where he was a senior vice-president.

MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Corporate venturing

The pros and cons of mutual dependence

BY WILLIAM DAWKINS

THE production lines at Nissan's gleaming new factory in Washington, Tyne and Wear, started rolling a week ago today.

By the end of the year, they are expected to be churning out around 100 cars per day. But what is really remarkable is that not one of the 3,500 component parts of each vehicle will have been inspected by Nissan. "Our philosophy is to duplicate nothing. If the supplier has got his quality control right, then we don't need to inspect," says Ian Gibson, the group's UK purchasing and production control director.

Nissan's deceptively laissez-faire attitude to its 30-odd European suppliers—many of them small businesses—would make most British manufacturers' hair stand on end. It seems all the more risky in view of the fact that all components—except for commodities like tyres—are single sourced.

The reason that Nissan expects to get away with it, as it has done in Japan for years, is that the car maker has an unusually close relationship with suppliers. Nobody is accepted to the Nissan club until they have received repeated visits from the company to check the credentials of all from the managing director to the humblest cleaner and to establish a strictly monitored internal quality control system.

This has been an unusual experience for the European businesses which will end up supplying 40 per cent of the value of Nissan's British cars by the time production gets fully under way next year. But it is also an example of a type of approach by big customers to small suppliers which—though especially well suited to the automotive industry—is being increasingly adopted by manufacturing groups across the West.

Companies ranging from IBM, the computer giant, through Varity Corporation, the farm equipment and industrial machinery maker, to Eaton Corporation, the US electronic and vehicle components group, are seeking to exert more influence on the way key suppliers run their own business. This, they argue, is valuable in ensuring better quality control and is a step towards establishing a smoother workflow, with all the savings in working capital costs that implies.

"The Japanese concept of customers and suppliers being equally interdependent is something which several European companies have been trying to emulate in recent years," says Gibson. Many small suppliers (Nissan's apart) would disagree, judging by the frequency of their complaints about being underpaid and paid late by big customers.

Yet the number of large manufacturers in several sectors to have built closer bonds with favoured suppliers in the past five years or so suggests that there is at least a trend. For small businesses, the consequences are mixed: such relationships offer a chance for the lucky few to get well hitched to a powerful customer, but there is also the risk of getting over-dependent on one source of sales.

Several suppliers to have gone down this route point out that the dangers of getting too exposed to one customer can often be outweighed by the management contributions from discriminating purchasers in areas like quality control.

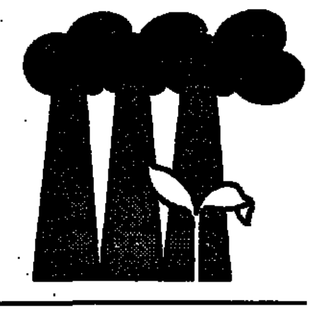
Take, for instance, Pianoforte Supplies Plastics, a Warwickshire-based mouldings group, which works for both Nissan and Ford. Robert Foley, Pianoforte's production director, has seen his scrap rate fall by roughly a third since Ford introduced quality control examinations two years ago.

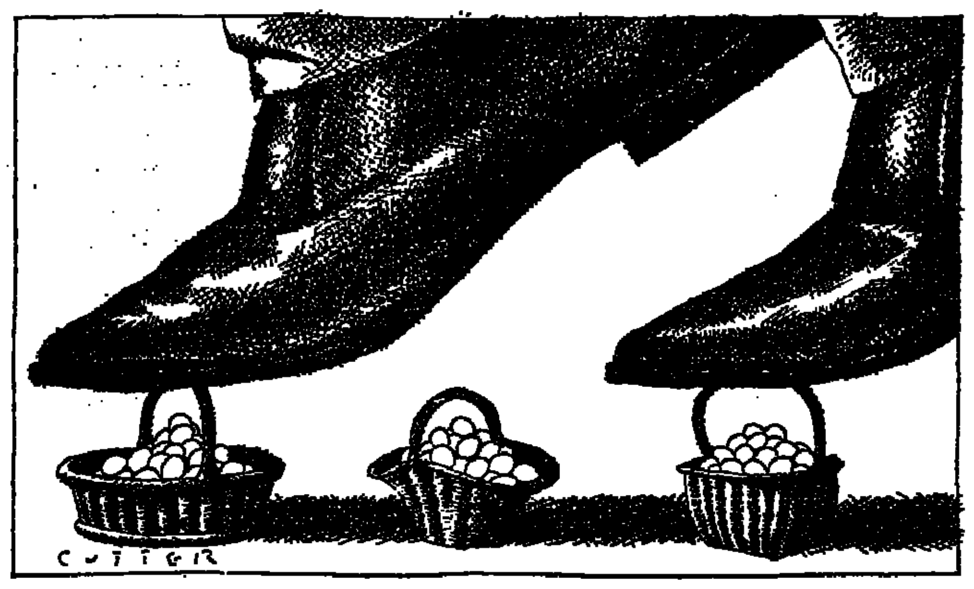
Thanks to Ford's input, many of the Japanese company's requirements were already in place when Pianoforte tendered for a contract to supply door styling strips. But Nissan did "introduce us to one or two very useful techniques," says Foley. One example is a written production log whereby machine operators record every event in the life of a particular job, especially any mistakes and remedial action. Burdensome paperwork maybe—but the log provides a useful reference work when it comes to looking for ways to correct new production errors. "If something goes wrong, you just look up in the book and see what you did to put it right last time," says Foley.

"The old adversarial relationships are out of date," claims Ian Robb, director of purchasing for Rolls-Royce, the aero engine group. "Because materials and machinery are getting so specialised, we are moving much closer to single sourcing and getting involved with suppliers right at the design stage rather than just sending them a set of blueprints."

In other cases, however, suppliers and their customers are being driven closer together not so much by technology but by manufacturers' needs to improve quality and stock control in increasingly competitive markets. Here another Japanese transplant is playing an important part, the so-called just in time (jit) manufacturing discipline, or continuous flow manufacturing, whereby customers' stock levels are kept to almost nothing. The idea is that suppliers deliver little and often, so that parts arrive just in time for assembly.

The penultimate article in this series looks at the potential available to small firms of close subcontracting links with big companies





Clearly it makes sense for jit manufacturers to deal with as few suppliers as possible. That is why, for instance, IBM UK's supplier base has steadily shrunk since it started to introduce jit principles in 1980—down 16 per cent to 7,780 companies last year.

"In the UK, we are in the high volume, low profit end of the business. That means we don't want to deal with six suppliers where we could deal with one—and we do want them to be self-sufficient," says Ted Linzey, IBM UK's procurement manager. He emphasises, however, that the contraction has been restricted to manufacturing suppliers. Like many other big organisations, IBM is increasingly keen to subcontract services like printing or cleaning rather than perform them in-house.

Meanwhile, IBM UK's manufacturing suppliers are being constantly scrutinised by virtue of the need to pass an annual quality test. "This saves us a bomb because it means we don't have to rework faulty equipment," explains Linzey. "Once you start relying on the vendor, it saves on quality chasing."

This type of approach is bad news for small businesses which get cut out as the supplier base shrinks. But it can be good news in a number of sometimes unexpected ways for anybody who can stand the pace. One company to have set particularly stringent standards for its small suppliers is Eaton Corporation's European truck components division, which started to employ jit techniques two years ago.

The result has been to boost the rate at which the division turns over its stock from five times to an impressive 21 times annually. This has not been entirely good for Eaton's small suppliers because they have ended up indirectly financing the buffer stock which used to lie in the division's Manchester plant and now lies in their own.

Some of them have also had to pay for improvements in their own in-house quality controls to stay on the right side of the strict rating system which Eaton launched to support jit manufacturing.

"Initially, they had some concerns, mainly to do with payment and whether there would be any changes in the purchasing programme," admits Neil Wade, Eaton's purchasing manager. "But it has brought suppliers closer to us and made communications a lot better."

Roland Prior, sales and marketing director for Gates Hydraulics, an Eaton supplier, agrees. "We now know that they are not just employing a bunch of professional order chasers and that if they do say there are problems, they are for real," says Prior.

Eaton has also helped Gates to train staff and to set up so-called quality circles, voluntary staff groups to monitor production, as pioneered in the UK at Jaguar under Sir John Egan. "They gave us plenty of valuable advice," says Prior. And instead of sending sales staff to renegotiate — sometimes uncertainly—contracts with Eaton, the two organisations now have regular meetings alternately at one another's plants to discuss a whole range of issues, like product development, cost savings or research, of which sales are just a part.

This type of approach to suppliers—just in time apart—has taken root particularly fast in the automotive industry in recent years. Like IBM with its computers, car companies need more than most to have close influence over suppliers because their products tend to be high volume but yield low margins.

That is not to say that getting close to small suppliers is a new idea. To take a well known non-manufacturing example, Marks and Spencer, the UK retail chain, claims not to have changed its policy towards suppliers for 50 years: and the group is notorious for having taken a close interest in every detail of suppliers' businesses.

"They see it as constructive rather than policing. We try to see it that way—we would be foolish if we didn't," says M and S supplier David Dowson, joint managing director of Pinneys of Scotland, the store's only source of smoked salmon.

The constructive part, he maintains, has been advice on subjects like procurement, packaging design and technology. The main cost has been M and S's requirement for an exclusive hold over any product developed with its help, including a generous array of pates and roulades.

M and S takes about half of Pinney's sales, but Dowson dismisses that as an imperceptible risk. "It's the other 50 per cent I worry about," he says. "In any case, it's probably more of a risk for them than for us," he adds, voicing a sentiment which points to the reason so many big companies are choosy over how their small suppliers do business.

UK business institute

New body set up in the North

BY IAN HAMILTON FAZEY

A GROUP of entrepreneurs in the north of England is proposing to form an institute to help small businessmen help each other to be better managers.

The organisation, which is being launched this month with advertising in selected trade journals, will cater for employee-managers as well as owner-managers of small businesses and will be concerned with upgrading quality.

It will aim to represent its members as individuals, rather than act for businesses, and it is in that sense that it will be rather like a small business version of the British Institute of Management.

The idea for an institute of small business management grew out of discussions between the principals of about 60 businesses in the north-west and Wales, most of whom had taken part in owner-manager training programmes sponsored by the Manpower Services Commission. Regular reunions to review subsequent progress established an informal network of contacts between the business-people, who then began to feel a need for a more structured way of promoting self-help between themselves.

The first step was the launch of an informal working party, whose members include Terry Bailey, formerly of Manchester Steel and now in specialist metal manufacture on his own account, Tony McKenna, the founder of Motorland, a growing business in car accessories, and Stan Parker of Stylo Plastics, a sign-making company.

Other members include Wilf Jones, the chairman of Wigan New Enterprise, Terry Robinson, who owns an expanding debt collection business, and Len Collinson, who is chairman of the Manchester management consultancy, Collinson Grant, and a member of the CBI smaller firms council.

Collinson says: "In our view no person or body has responded properly to the very special and growing needs of owner-managers and managers in small business. If we are to move from the birth of small businesses to their successful growth, we have got to address ourselves to achieving better standards of management."

Members of the working party say that small business management is different because the manager has to straddle many functions and perform them all competently. Moreover, there is usually no big company style "staff" support and small business managers can have very little influence in trading conditions because they tend to have a very small share of their particular market.

While small businesses should be able to score against big ones in their ability to respond quickly, that in itself creates special pressures which people need to be taught how to handle.

Collinson says: "There has been no formal awareness of small business until recent years forced it on everyone. Economic change has forced people to think about what should be done. We think there has to be a wider means of getting advice on strategic issues. The new institute will act as an independent broker in this sort of area."

The next stage will be to call a meeting of people interested. The working party is hoping to attract about 2,000 from its initial advertising. How it develops will depend on feedback from those attending but the working party already has several ideas.

One is a journal concentrating on opportunities open to small businesses and on the operating and strategic problems they face. Another is a network of advisers on issues like sales or purchase of shares in a family or close company, or inheritance tax.

It is also seen that the institute might negotiate discounts on goods and services, run a business exchange, a library and research centre, set professional standards for small business management, offer training for managers and supervisory staff, guidance on employment, run seminars and conferences and liaise with other professional bodies.

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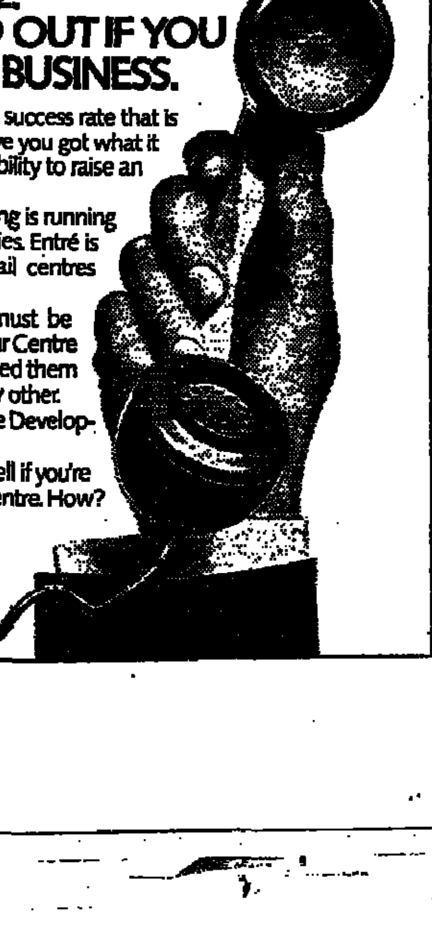

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FINANCIAL TIMES SURVEY
Tuesday July 15 1986

Dominican Republic

This Caribbean island has strengthened its economy as a result of IMF austerity measures and is diversifying away from dependence on the sugar industry

Watershed election adds to stability

By Robert Graham, Latin America Editor

THE FINE coral rock cathedral in the heart of the old quarter of Santo Domingo is both a place of worship and a sort of unofficial shrine to the island's most illustrious visitor, Christopher Colombus. This was the first documented place where Colombus touched land in 1492 on his way to discover the New World.

Though what is now the Dominican Republic was the first place on the map of the New World (then the island of Hispaniola), it has been one of the last to make itself known. Only now is the situation changing as the Republic enjoys increased political stability and diversifies its economy away from traditional dependence upon sugar to offset the heavy burden of foreign debt.

The Dominican Republic fits oddly into the structure of the Caribbean. Its territory is half an island, the western part being Haiti. The nearest parallel is perhaps the division of Guinea into two states in Australasia.

Along with Haiti it was the first nation to acquire independence in the Caribbean. Profiting from Haiti's earlier independence from France the Dominican Republic declared itself independent in 1844 — more than a 100 years before any territory in the English-speaking Caribbean. It is also the only state to have been embroiled in armed territorial conflict with a neighbour in the Caribbean—the aggressor being Haiti on more than one occasion, and residual fear of Haiti remains.

Ignored by the English-speaking Caribbean, the Dominican Republic has also long suffered from its proximity to the larger and richer island of Cuba, which attracted first the Spanish and then, during this century, American investment for development. The overthrow of the Batista regime in Cuba in 1959 and the advent Fidel Castro's revolutionary socialism provided little immediate benefit.

This isolation was also a direct consequence of the existence of the Trujillo dictatorship, which started in 1930 and lasted until 1961.

The Trujillo family's rule ended with Rafael's assassination and the seizure of their properties (they owned two thirds of the sugar industry and were the largest landowners.

What followed was tantamount to civil war. The left-wing Partido Revolucionario Dominicano (PRD) headed by Mr Juan Bosch won elections in 1963, but he was overthrown by a Right-wing military coup with US support, seven months later.

PRD supporters, backed by a group of constitutionally-minded officers, eventually decided to resort to arms. To break up the warring factions—and to ensure that a Left-wing triumph did not produce another Cuba—the US sent in 20,000 marines in April 1965.

It has taken nearly 20 years to overcome the passions and divisions of this turbulent period. Indeed, the May presidential and parliamentary elections mark a watershed. Despite the allegations of fraud and the excessive delay in announcing the final results, it was both the most pluralistic and the cleanest election the country has seen.

In the event 78-year-old Mr Joaquin Balaguer, who is nearly blind, was elected for what will be a fifth term as president. He and his Partido Reformista Social Christiano (PRSC) won 41 per cent of the 2m vote—the largest freely-voting electorate in the Caribbean.

Close on his heels was Mr Jacobo Majluta, heading the ruling PRD, with 39 per cent. Mr Bosch, just turned 77, won 19 per cent with his Partido de Liberation Dominicana (PLD), a party formed from the Left-wing rump of the PRD after he broke away in the 1970s, for pesronal and ideological reasons.

Mr Majluya was quick to cry foul and even managed to have the vote count stopped when over 80 per cent complete. Although there then followed a long unseemly period in which he sought to challenge Mr Balaguer's victory, he singularly failed to convince with his claims of fraud.

The one upshot of Mr Majlutu's action is a commitment by Balaguer to form a government of national reconciliation when he takes office next month. However, Balaguer suggested before the election that he would be willing to recruit people from the PRD and the outgoing Jorge Blanco administration; and "national reconciliation" may mean no more than this.

Never before has there been a head of state elected to office by an electorate fully conscious that he is both blind and ageing. His appeal to some extent defies rational explanation. Undoubtedly he benefited from disenchantment with the outgoing government of President Jorge Blanco and a sense of distrust towards the PRD candidate, Mr Majluta, who had more or less forced himself on the party as the official candidate.

President Jorge Blanco has not been forgiven for his handling of austerity measures imposed by the International Monetary Fund. In April 1984 he introduced a broad range of measures to restructure the economy and cope with the service of the Republic's $3.5bn foreign debt. This provoked an instant and violent reaction. Organised workers and spontaneous demonstrators took to the streets in Santo Domingo and other cities. Ill-prepared security forces over-reacted and more than 60 people died.

This incident has obscured very real economic achievements in the past two years.

The Dominican Republic is one of the rare developing countries, especially in the region, to comply with its IMF targets. It also has the distinction of being the sole Latin American debtor to have floated is currency and seen it appreciate.

But the electorate has been less impressed by this, affected as it is by more than three years of recession. Incomes have fallen in real terms and unemployment is still rising. Large numbers of the 6.5m population live on the poverty line in this low wage economy and Mr Balaguer is nostalgically remembered as the man who presided over a great boom. He held the presidency for three consecutive terms from 1966-78, the latter part of which was profoundly influenced by high international sugar prices.

On the back of this and borrowing extensively abroad, he initiated a large public works programme that has provided the capital with all its most impressive modern buildings—from the Central Bank to the National Theatre and various museums.

Today these are buildings the republic cannot afford on low sugar prices and a debt service ration of 30 per cent. But during the election campaign, Mr Balaguer successfully aroused nostalgia for this era of plenty. After the election the crowds round his house who waited to congratulate him shouted slogans like: "Now we shall have bread and jobs."

This mix of populist appeal, nostalgia and a tradition of the father figure leader (a caudillo) are probably the main reasons for his election.

Under President Jorge Blanco the country has begun to attract the interest of foreign investors, especially from the US. It is vital that this trend continues if diversification away from the mono-culture of sugar is to succeed.

The solidity of the political system should now help this: a solidity which incidentally has been unaffected by events in neighbouring Haiti. Precautions have been taken along the border which has been virtually closed for six months now, even to the extent of excluding Haitian seasonal labour traditionally used in the sugar harvest.


President Jorge Blanco (left) will ease pressures on his successor, President elect Joaquin Balaguer (right). However, Mr Balaguer's government of national reconciliation still has to deal with pressing problems of low family incomes and unemployment

The guarantor of stability continues to be the US, now cast in a less interventionist role. Some 40,000 Americans live in the Republic (a sizeable number studying medicine) over two thirds of tourists are American.

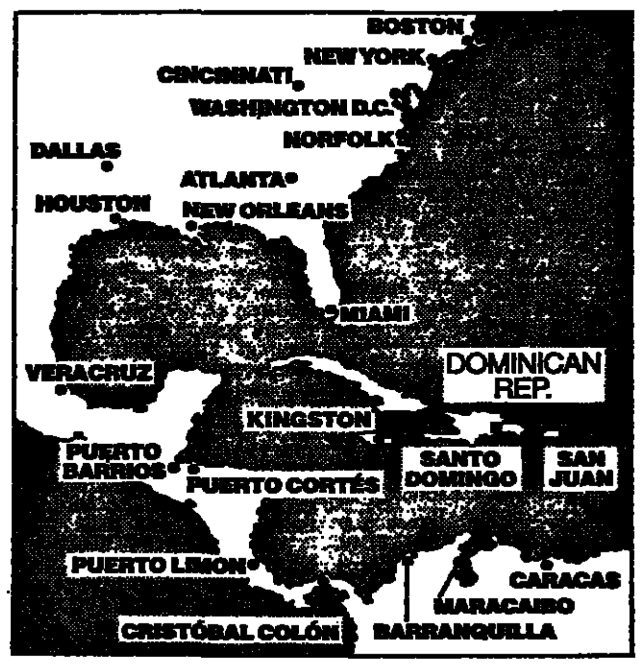
As the most populous country in the Caribbean after Cuba and occupying a key strategic position, the US interest is likely to continue. But the close association with the US tends to mitigate against the Republic developing closer ties with the Commonwealth Caribbean, although it intends to be a full member of Caricom.

Last year, in a controversial cost-cutting move, the UK closed its Santo Domingo embassy.

The one uncertainty ahead must be the health of the incoming preside nt. Those who know him insist on the vigour of his intellect. However, he is both old and handicapped and has said he will stay in office until he dies.

Clearly much responsibility will rest on the man who ran as his vice-president, Mr Carlos Morales Troncoso. A US trained engineer, he has considerable business experience, having run the sugar and tourist operations of Gulf and Western in the Republic—the largest single foreign investment.

However, he has little political experience.



Dominican Republic 2

Economy

Austerity brings modest growth

The republic's economy

	External debt (US$m)	% debt increase	Imports (US$m)	Arrears (US$m)	Exports (US$m)	Reserves (US$m)
1973 ...	607.4	—	763.6	—	716.4	0.4
1976 ...	1,006.5	24.9	1,360.7	22.4	675.5	−35.0
1978 ...	1,330.8	18.5	1,080.4	43.4	868.8	−122.4
1979 ...	1,632.7	22.6	1,498.4	149.4	961.9	−240.2
1980 ...	2,058.9	26.0	1,450.2	316.3	1,188.0	−322.3
1981 ...	2,286.0	11.0	1,255.8	436.3	767.7	−678.6
1982 ...	3,076.4	34.5	1,297.0	389.7	785.9	−428.1
1983 ...	3,237.2	5.2	1,257.1	112.4	868.1	−335.9
1984 ...	3,446.9	6.4	1,285.9	65.0	739.3	−248.9
1985 ...	3,551.0	1.50				

Source: Central Bank.

IN ITS own quiet way, the performance of the Dominican Republic's economy has been one of the rare success stories during the Latin American debt crisis. After two years of tough, but well-administered, austerity measures, combined with sweeping liberalisation, the economy is beginning to enjoy modest growth.

A start has been made on diversification away from the traditional reliance on sugar with new agro-industries and the promotion of tourism.

At the same time the incoming administration of Mr Joaquin Balaguer will benefit from lower oil prices, lower interest rates and some windfall profits from coffee sales.

The transformation has not been painless. When the bulk of the austerity measures were introduced in April 1984 there were violent and large-scale riots. However, the Jorge Blanco administration leaves office next month having introduced the harshest measures.

The story of the Dominican Republic's economic difficulties is not dissimilar to that of its Caribbean and Latin American neighbours. The 1970s witnessed a period of high growth on the back of healthy prices paid for its chief currency earner, sugar sales, also backed by gold exports. The economy kept growing despite the oil price rises.

Heavily dependent upon imported energy, the authorities maintained an artificially high exchange rate of one-for-one to the dollar.

As the flight of capital grew and the public sector deficit rose, the government resorted to printing money which fuelled inflation. Meanwhile, the sugar price collapsed.

To finance both current expenditure and development, the government resorted more and more to foreign borrowing. Back in 1973 at the time of the first oil price rise, the republic's total foreign debt was $607m. From 1976 to 1982 it increased on average 21 per cent a year and reached $3bn, with a debt service ratio approaching 50 per cent.

Not surprisingly, there was a balance of payments crisis in the early 1980s, prolonged by the political changeover in 1982 as President Salvador Jorge Blanco began his four-year term. Discussions began in January 1983 with The International Monetary Fund on a three-year $370m facility in exchange for cuts in public spending, tighter credit, removal of subsidies on basic items and a substantial adjustment in exchange rate policy.

Although one third of the Fund disbursements were made, the government found itself unable to comply with the programme. When renewed efforts were made to comply in April 1984, the government found itself obliged to hold off implementation in the wake of violent popular protests that left 64 people dead.

It was only in January 1985 that the government, with a new economic team, felt sufficiently confident to introduce a wide-ranging package that would satisfy the Fund. Perhaps the most important measure was to end the complex and unwieldy multi-tiered exchange rate system.

Until then certain transactions had been conducted still on a one for one basis against the dollar. Henceforth the peso was left to float freely. Additional measures included a 60 per cent increase in sale price of petroleum products; sharp rises in utility charges; the limiting of Central Bank credit to the public sector; raising of interest rates and a special temporary surcharge on exports.

The implementation of the measures not only permitted a renewal of the Fund agreement but helped persuade the country's commercial bank creditors to restructure their debt, due between 1985 and 1989.

Agreement was reached in May last year, allowing deferment of $787m, so reducing the overall commitment during this period to $3bn.

The restructing agreement, with some 80 banks, allows for payment over 13 years instead of six, with five years' grace instead of two. The Paris Club also agreed to reschedule $290m worth of debt, and a further $299m of debt contracted with central banks was rescheduled. The debt service ratio is now down to 30 per cent, cut by over one-third.

The Dominican Republic has thus managed to avoid being stuck in the vicious circle of so many Latin American debtors, of needing to borrow more to service debt which it cannot pay in the first place. Net indebtedness increased only 1.5 per cent last year to 3.5 per cent. Debt service payments amounted to $551m — saving almost $350m through the restructuring agreement.

The impact has been felt in the balance of payments which has moved into a modest $100m surplus, and reserves have improved. Though net international reserves are still negative at minus $248m, this compares with $335m at the end of 1984. (At one stage in mid 1984 the Central Bank found itself with no more than $16m in foreign cash.)

Cutbacks in imports and a steady rise in export earnings have also helped the trade account which has been in deficit since 1978.

The current account performance would have been better had there not been a cut in US sugar quotas. Since 1983 reduced sugar quotas has meant an annual loss on average of $100m. Luckily, gold sales have been strong as have those of tobacco and cocoa.

The fall in oil prices has also more than offset the effects of a cut in US sugar quotas. The Dominican Republic has been one of the countries benefiting from the San Jose agreement whereby Mexico and Venezuela supply crude at favourable rates.

Even so, the oil bill since 1983 has been running close to $500m. On the basis of current prices the bill could fall to below $280m this year.

The improved performance on the external account has been reflected in the exchange rate. Having been at a high of pesos 3.3 to the dollar in the wake of the free flotation, it has now steadied to around 2.80 to the dollar.

The exchange rate has undoubtedly been helped by rising tourist receipts. Tourist revenues are now running at $470m a year, $100m up on 1984.

A more significant element underpinning the exchange rate continues to be the extensive remittances of Dominicans living in the US. There are no precise figures and estimates go as high as $1bn. However, on the basis of the foreign exchange bought by the Central Bank, the figure is thought to be closer to $600m.

The new administration will inherit a public sector deficit which has been brought down from 6 per cent of GDP to almost 2 per cent; an inflation rate which in the space of a year has come down from nearly 40 to 14 per cent and a growth rate of 2 per cent after their recession.

Wages, however, have been kept low and there is a degree of concealed inflation.

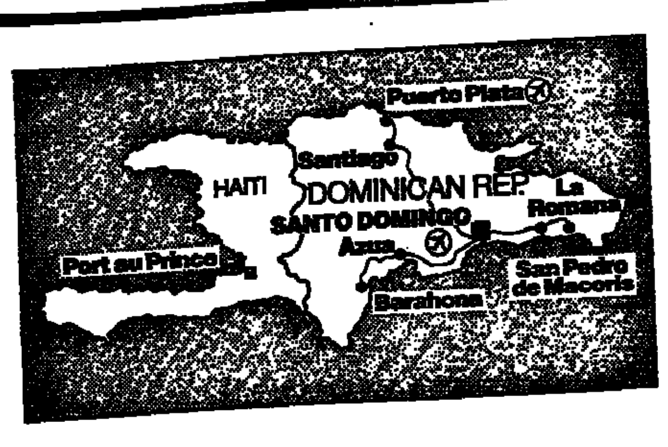
As a result of the recent elections the incoming administration has much greater control over Congress—a fact which inhibited the outgoing government.

The Balaguer electoral platform pledged a renewal of public spending to create more jobs but so far there have been few indications of major policy differences. The need to service debt and complete through to the first quarter of 1987, the IMF austerity package provides a straightjacket from which it will be hard to move.

The principal long-term problem remains how to create jobs in this the most populous Caribbean state outside Cuba. This will have to be done with greater emphasis on agro-industry, further promotion of agro-industries and expansion of tourism.

In doing this, it is essential that centres of employment are found outside the two major cities. The Dominican Republic has become far too top heavy, with too many people dependent upon the capital and its suburbs.

Robert Graham



Foreign investment

US companies still dominate

ATTRACTING foreign investment has been fundamental to the outgoing Jorge Blanco administration's efforts to stimulate new export orientated industries.

The incoming Balaguer Government is committed to give the same priority; with a decline in the importance of sugar as a foreign exchange earner, the Republic is obliged to sources of hard currency to help service the burden of foreign debt.

In this respect the Dominican Republic's predicament is similar to that of Jamaica. However, unlike Jamaica it has been much slower to promote its assets, and actively seek foreign investment. As a result the opportunities are lesser known and the infrastructure less advanced. This is now changing, especially with regard to US investors.

At present, US investors account for almost 70 per cent of foreign investment, reflecting the historical dominance of American companies in the economy for the whole of this century, and the fact that British companies tended to focus almost exclusively on the Commonwealth Caribbean.

Other nations with foreign investment stakes include Spain—a number of Spanish ventures were established during the Trujillo dictatorship and some capital which left Spain at the time of Franco's death also ended up in the Republic. Canadian investors have also been active, most notably the mining concern, Falconbridge.

Total cumulative investment this year has reached $280m. The figure may be higher since the large expatriate Dominican community in the US, especially New York, has begun to channel funds into small-scale ventures in the service sector.

The basic attractions for foreign investment now are US-oriented. The republic is strategically located in the Caribbean within easy reach of, and with good links to, Miami and Florida, as well as the entire East Coast. Wages are cheap with only Haitian labour cheaper in the Caribbean.

On the Industrial Free Zones, hourly rates of pay are being quoted at $0.57 to $0.85. Although there is an organised trades union movement, not all sectors are fully unionised and there is no union presence in the Industrial Free Zones (IFCs).

Unlike most other Caribbean countries, the Republic has a large amount of land available at relatively low prices and there is no shortage of skilled labour.

The attraction for US investors is that the Republic is included within President Reagan's Caribbean Basin Initiative (CBI). This provides for 12 years of one-way free trade with few exceptions for all imports from CBI-designated countries as of 1984.

Significantly, the Dominican Republic has been one of the most successful countries in attracting investment under the CBI. In a study prepared last year by the State Department, 31 new ventures had been established for a value of $43m, creating almost 10,000 new jobs.

While Jamaica attracted more projects and marginally more funds, the Dominican Republic ventures created almost twice the number of jobs. Indeed, half the jobs created by the CBI in the Caribbean — as opposed to Central America — have so far been in the republic.

American investors should soon be eligible again for insurance Overseas Private Investment Corporation (OPIC). This was first established in 1962 but in 1984 withheld from new investment pending the resolution of a complex dispute with the Government.

The dispute arose out of the 1984 peso devaluation which created problems in calculating the rate at which dividends were remitted. The main claims in this respect were settled in March but there is still some $6m in royalties unresolved.

The basic legislation governing foreign investment is Law 861, amended in 1983. This permits foreign investment in any sector except public utilities, communications, forestry, transport and defence. Nevertheless, exceptions exist even in these areas, the most notable is the US-owned telephone company, Codetel.

All foreign investments have to be registered with the Central Bank in pesos. The maximum profit remittance, as of August 1984, is 25 per cent of annually-registered capital. Once tax has been paid, then profits are freely remitted.

The Jorge Blanco administration singled out four priority areas in which to seek investment: mining, tourism, agro-industry, and industrial free zones. These provide the best hope of being the most attractive to foreign investors, and the most useful to the economy in terms of job creation, technology transfer and foreign exchange earning.

In the mining sector, the Jorge Blanco administration has sought to encourage better geological assessment of the country at one level; and on another, to expand production of gold, ferronickel, silver and limestone.

Gold is considered the most promising along with ferronickel. Increased exports of these two commodities have helped offset the collapse of the local bauxite industry. Exploration also continues for copper, zinc and lead.

There is some hope too of encouraging greater interest in petroleum exploration, although this is now affected by the current depressed state of world prices. The biggest mining project under consideration is a projected $380m gold sulfide venture in which the government is trying to interest the IADB for project finance.

Both tourism and agro-industry investment is treated in detail in separate articles. However, here it is worth stressing that the biggest foreign investment has been in sugar and tourism, via Gulf and Western's ownership of the La Romana complex.

Ownership passed in 1984 to the Florida-based Fanjul family of Cuban origin. The Fanjuls are now in the process of diversifying their agricultural interests away from sugar and increasing their presence in the tourist sector.

Dominican officials are confident that agro-industries represent a significant and largely untapped source of foreign investment. Among the deals pending is a major investment by Dole, the US food group, to produce pineapples.

Between 1984 and the end of last year, it is reckoned, foreign investment in agro-industry created some 12,000 jobs. Here the new government is liable to come under pressure to alter existing legislation that limits foreign ownership of agri-business projects to 49 per cent.

The fourth priority area concerns the Industrial Free Zones (IFCs). The first IFC was founded in 1969 at La Romana, financed by Gulf and Western and was conceived as a logical extension of its activities in the area, since then three others have been established—nearby at San Pedor Macoris; and at Santiago and Puerto Plata in the north.

The IFCs are considered extra-territorial with all imports and exports duty free, while corporate earnings are free of tax. The main type of investments attracted to the IFCs have been textile operations, with goods brought in semi-finished and made up by cheap local labour.

About 60 per cent of all labour in the IFCs is concerned with such textile operations. Overall 18,300 are employed in some 140 companies.

The Jorge Blanco administration was sufficiently encouraged by this, especially in the light of the CBI, to consider at least two further IFCs. In the meantime, bigger efforts have been made to attract blue chip companies and in particular US groups with operations in Puerto Rico that have become either too costly in wage terms or where capacity has been reached in existing installations.

Among the new companies expected to come are Westinghouse and GTE. Within the Caribbean, competition is tigh to attract such business since several small island economies are offering broadly similar facilities and benefits—to say nothing of the "maquiladora" industries on the Mexican-US border.

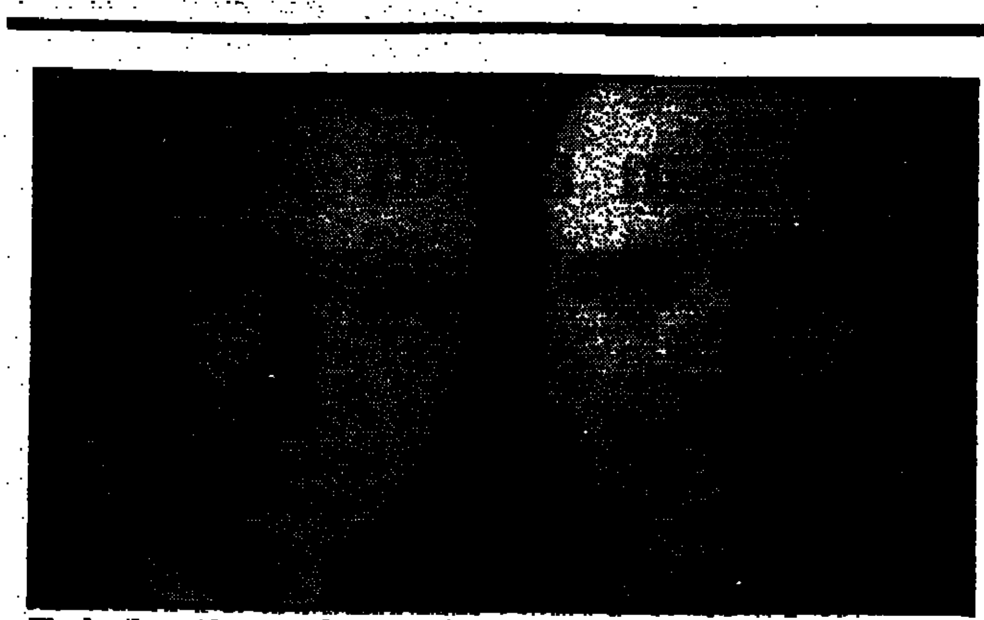
The authorities would like to attract more Pacific Basin investment using the Republic as a backdoor to the US. However, the government and private sector still lack resources in self-promotion.

Equally, the government recognises that its appallingly cumbrous bureaucracy has to be streamlined. Still too many potential investors risk being put off by dealings with the state machinery. This will be an important task for the new Balaguer Government.

Robert Graham

Hoy-Santo Domingo

Clothesmaking factory in one of the free zones



The brothers Alfonso and Jose Fanjul, Florida-based sugar entrepreneurs, they now run the island's largest private sector corporation with interests in tourism, sugar and livestock

Sugar

Ready to diversify

GOVERNMENT AND private sector interests in the Dominican Republic are now taking their first positive steps to diversify the country's huge but ailing sugar industry.

With an annual production of about 1m tonnes, the Dominican Republic is, with the exception of Cuba, the largest sugar producer among the Caribbean nations. The country has also prided itself in being the most efficient, aided by its low wage levels and its economic scale of production, which is stimulated by its large domestic market of more than 6m.

However, these factors have meant that the Dominican Republic is now only starting to do what its smaller island competitors have been doing for years—scaling back sugar production in favour of other crops or, indeed, other industries.

Experts are unanimously agreed that the task will not be easy: sugar amounts to 25 per cent of all the Republic's export earnings, surpassing gold, silver, ferronickel, cocoa and coffee, all of which combined to give the country some 80 per cent of its entire export income of $737m in 1985.

According to the Banco Central, overall exports are forecast to grow to $800m this year, and the sugar sector's return on earnings from abroad is likely to tumble to $177m from $207m in 1985. The continued fall from a peak of $560m in 1981 has been steep indeed.

The problem is aggravated by the fact that the US is by far the largest customer and, since 1982, has steadily scaled back its uplift. The Republic used to be able to count on shipments of 780,000 tonnes per year to the US, but since 1983 this has been cut back to 280,000 tonnes.

In addition, the Republic is not a Lomé Convention pact signatory, and does not have preferential access to the European market as does some of its English-speaking neighbours in the Caribbean by virtue of their former British colonial status.

The reality of the situation facing sugar producers was a factor in the decision by Gulf and Western of the US two years ago to pull out of the Dominican Republic. It sold its Central Romana sugar company, which includes the world's largest sugar-producing mill, its livestock holdings and its tourism properties in Santo Domingo and a vast, rolling estate near La Romana, 90 miles west of the capital, to Messrs Jose and Alfonso Fanjul, two Cuban-American brothers with vast agriculture holdings in Florida.

The 200,000 acres comprising Gulf and Western's properties on the island are estimated to have been sold for $200m, a figure not denied by the Fanjuls.

Central Romana, in its first year under Fanjul ownership, produced 277m tonnes of sugar, its lowest output in years.

Mr Eduardo Martinez Lima, Central Romana vice president, said the company's aim was to diversify into tourism, mainly through its Premier Hotel Group, which owns the Santo Domingo and Hispaniola Hotels in the capital and the Casa de Campo complex in La Romana. The hotel division is understood to be anxiously seeking tourist properties in other countries.

Central Romana will always be a sugar producer, however, but no growth is forecast, Mr Martinez says. This could mean some hard decisions ahead, as it is the country's largest private-sector employer, providing jobs for some 22,000 workers in the peak harvesting season.

Much of its livestock—that which is not used in hauling cane—is slaughtered as subsidised food for employees and to service the tourism industry.

It has fallen to the state Consejo Estatal de Azucar to take the lead in diversifying into other agricultural crops.

The CEA admits it has an advantage over Central Romana. The latter's sugar holdings are almost entirely on rough terrain not suitable for any other type of crop, whereas the CEA harvests some of its sugar from smoother terrain, some of which is now being switched to other types of agriculture.

Mr Carlos Espradel, an economic consultant specialising in the sugar industry and a former Central Bank Governor, believes an optimum 30 per per cent, or 360,000 tonnes of sugar production, can be diversified into other agricultural production.

For two years, the CEA, which accounts for about two-thirds of sugar production, has had a programme under way to produce pineapples, melons, tomatoes and palm oil on old sugar land. The main market is the US Eastern seaboard.

Partners in these ventures are such food processors as United Brands, Dole and Castel and Cook.

Washington is helping the CEA through the US Aid programme, and has provided $20m to finance sugar land redevelopment. The funds are matched by a further Pesos 90m ($34m) allocated by the Santo Domingo Government. The funds are being loaned through the Republic's banks, whose inherent conservatism, it is hoped, will ensure that their use is maximised.

It is believed that still more could be done.

Mr Bernardo Vega, a consultant and also a former Central Bank governor, has called on the CEA to broaden its objectives by allocating some of its sugar-producing land in urban areas to middle and low-income housing projects, a pressing need in a country which has suffered a drift of people to the capital, which has more than 1.5m people.

Mr Vega adds that the CEA also has considerable holdings in tourist areas and, in the face of the boom for the tourism industry, much land could be sold off to private sector tourist interests along the lines already being taken by the Fanjul Family.

Frank Gray

Tourism

Big increase in number of visitors

NOTHING COULD have been more welcome to the Dominican Republic's travel industry than the country's recent election campaign.

It was not just the election result that counted—the new Government is expected to be more aggressive in helping promote the industry—but the comparative tranquility of the campaign itself.

The region, for rather a longer time than Europe, has been sensitive to bad news. The US invasion of Grenada a few years ago had a deterrent spillover effect on islands hundreds of miles away.

But smooth changes of Government in the capital of Santo Domingo have become standard fare in the past decade or so, reinforcing the industry's view that the republic is a peaceful country whose pluralistic society with its agreeable and musical people welcome foreigners.

Private beach at the 7,000-acre resort of Casa de Campo

Indeed, there is probably no better advertisement than the all-persvasive sound of the meringue, the island's national music, whose pulsing Latin beat is as representative of Dominican character as the samba is to the Brazilians.

Compared wtih other Caribbean islands the Republic's tourism industry is comparatively new, having come into its own in the past decade.

Its growth has been so strong, however, that it is causing concern in Jamaica, which the republic regards as its main competitor. Jamaica takes in about $1bn a year in tourism revenues. The Republic will generate more than $400m, predicts Mr Ramon Prieto, head of the National Assocation of Travel Agents.

This will be about 10 per cent up on the previous year, itself 10 per cent up on 1984. Double figure growth rates are forecast for the rest of the decade.

Tourist arivals will approach 800,000 for the year, compared with over 700,000 last year, and just 278,000 in 1975.

The World Bank, recognising the industry's importance to the well-being of a largely agriculture-dependent country, has helped fund infrastructure development in the sweeping Puerto Plata resort along the north coast, 3½ hours by car from Santo Domingo.

Puerto Plata has seen 2,000 hotel rooms added in just two years, and will be the focal point for the growing bulk tourism market. It is helped by improvements made to its own international airport and Government efforts to encourage more foreign airlines to fly into the country, despite protests from Dominicana Airlines with its six-aircraft fleet.

At the moment, Puerto Plata is thriving on the influx of Canadians who, with their own weak dollar, are entering the republic in high numbers, encouraged by the heavy devaluation of the Dominican peso two years ago.

The capital itself, with its 1.5m people, is undergoing a transformation of its old quarter. It is the oldest city in the Americas, and the birthplace of Christianity in the New World, having been Columbus's second landfall on his first voyage in 1492.

A dozen or so of its ancient battlements and official buildings dating from that time have been restored. Several new hotels along the sweeping sea front Malecon Boulevard are being completed, and the city administration is planning to clean up the seashore and may build breakwaters to ensure that city beaches eroded over the years can be restored.

The tourism potential now being grasped on a national level was anticipated more than a decade ago by Mr Charles Bluhdorn, the late head of the giant Gulf and Western Group of the US, which at that time was the largest foreign interest in the country.

At that time, he launched the Casa de Campo villa and recreation complex which now spreads out over 7,000 acres 90 miles east of the capital.

Initially a playground for the wealthy, it has since been put on a more commercial footing under the management of Mr Claudio Silvestri, president of the Premier Hotel Group, which also includes Santo Domingo's two main hotels—the Santo Domingo and the Hispaniola.

An Italian, he is a veteran of Britain's Savoy Hotel and in recent years has headed the US Hyatt group's hotel interests in Mexico.

The broadening of Casa de Campo's market base is being accelerated by the decision two years ago by Gulf and Western, following Mr Bluhdorn's death, to pull out of the republic entirely.

Mr Silvestri remained at the head of the complex and now runs the entire tourism interests of the new proprietors, the Cuban-American Fanjul family.

Casa de Campo is by far the largest complex of its type in the Caribbean, with 228 guest rooms and 250 de luxe villas, spread roomily over the entire estate area. It also boasts 17 tennis courts, two polo fields, horse riding facilities and more than 1,000 well-trained steeds, and a private airstrip.

Mr Silvestri says his main target is the growing incentive travel and corporate business market.

While most of Casa de Campo's business comes from the US, it can count on a growing supply of corporate customers from Venezuela, Colombia, Puerto Rico, Canada and Europe.

Mr Silvestri says that the complex has just signed a three-year deal with Grand Tours of Italy, a travel unit of the state-owned ENI group, which will mean some 36,000 customers from Italy over the next three years. Several thousand Canadians will also use the Casa de Campo in the next few years as a result of a similar deal signed with the Sun Quest group of Toronto.

He does not take lightly the competition from smaller resorts in the Barbados Sandy Lane area and Jamaica's Frenchmans' Creek, but says the real competition is from Hawaii, Puerto Rico and Monte Carlo.

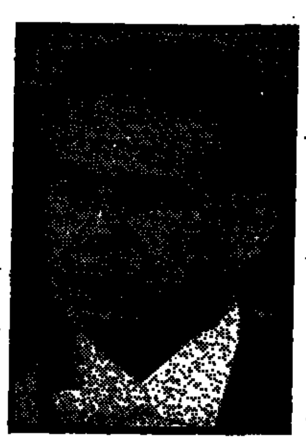
While Casa de Campo is at the high end of the tourism scale, its own room nights will have expanded to 135,000 by next year compared with 49,000 available in 1983.

One factor above all is responsible for the growth throughout the country's tourism sector, Mr Silvestri states: "In many of these islands, people have to be trained to be nice; but not here. Hospitality is instinctive."

Frank Gray

Return of the old survivor

PROFILE: JOAQUIN BALAGUER



JOAQUIN BALAGUER'S political career has spanned so many years in such varying circumstances that it is almost impossible to pin a label on him. The man who is to be the Dominican Republic's next president will be 79 in September and is now almost blind.

He has proved a remarkable political survivor, having been labelled variously an opportunist, authoritarian, populist, and a brilliant tactician.

In his office in Santo Domingo there is a portrait of the late Spanish dictator, Gen. Franco. Yet Mr Balaguer is also a literary critic and in his youth wrote an essay on the Spanish poet Federico Garcia Lorca who was killed by Franco's side during the Civil War.

He has produced more than 40 books covering literary works, political tracts and novels. Latterly his style has become pretty turgid and the bookshops which rushed out editions in the wake of his electoral victory in May have not had so many buyers.

Mr Balaguer was born near the northern town of Santiago in 1907, and after attending local schools won a place at the state university in Santo Domingo. There he studied law and went on to gain a doctorate at the Sorbonne in Paris.

His political activities date from the early 1930s with the rise of the Trujillo dictatorship. He came to be a close confidant to the founder of the Trujillo regime, Rafael Leonidas Trujillo. He was made first of all vice-president under the Trujillos in 1957 and then was titular president in 1960.

Despite his closeness to the family after Rafael was assassinated in May 1961, he managed to engineer the exile of the rest of the family and the state seizure of their very considerable assets.

However, his links to this ruthless dictatorship eliminated him as a likely candidate in the presidential and parliamentary elections held in 1962, that saw the triumph of his long-time rival, the Left-wing Mr Juan Bosch.

Mr Balaguer went abroad into a form of exile for four years in New York, and thus managed to avoid being tainted by the brief civil war that broke out in 1965 after Mr Bosch had been ousted in a military coup and US Marines intervened.

He returned in 1966 to win an election in which the Left was kept under close reign by the military, then enjoyed three uninterrupted terms until 1978 against the background of prosperity from sugar, and major investments in public works.

His rule was marked by occasional outbursts of brutality, Right-wing terrorism and guerrilla violence. He failed to remove the military from dabbling in politics and this was one of the major criticisms levelled against him after he lost the 1978 elections.

Mr Balaguer did not have to be pushed to seek office again: he was more than eager to have a go, and there is no doubt about his continued intellectual vigour. This was evident during his election campaign when he could still hold big crowds.

However, he is physically frail and his blindness is a major handicap. Some of his supporters insist that with the aid of a powerful magnifying glass and strong light, he can see sufficiently to sign documents. But this is contested by many others and it is going to be a problem how state documents will be signed — which in theory he must read.

His natural instinct is still to take as active a part in every aspect of political life as possible. However, he is more likely to take a back seat after his initial period in office. The presidential term lasts for four years.

Robert Graham

Dominican Republic 4

Coffee and cocoa

Export earnings improve

THE TIMELY boom in the price of coffe and the continued steady growth in the sales of cocoa will mean improved export earnings for producers of the two crops which are likely one day to outstrip sugar as the Dominican Republic's two major agricultural export earners.

Coffee has been riding high on the back of a welcome price boom that has seen it shift in the last year from a stable level of $120 per tonne up to a high of $270. This has passed and price levels are now shifting below $170 per tonne.

The price surge, however, will mean temporary increase in export earnings. The Central Bank predicts coffee shipments abroad could amount to revenues this year of $160m, compared with $90m last year.

Export earnings of cocoa, generally stable now at $1,225 per tonne against higher earnings earlier in the year, will mean a boost against 1985 revenues of $75m.

While coffee is a crop of undisputed value in the Dominican Republic—the Caribbean region's largest producer after Cuba—it is somewhat left to the mercies of the marketplace and the international quota system implemented by the member nations of the International Coffee Organisation.

A valuable fillip is the rising tide of tourist and business visitors, which means higher domestic coffee consumption. Production of the crop is generally runs at 30m tonnes per year. Productivity gains are usually measured in price rises, rather than actual refinement of output knowhow.

Rather greater long-term potential, abetted by the lack of a quota system and the belief that many emerging countries have not yet developed a taste for chocolate, hangs over the country's cocoa producers.

Officials at Commercial Roig, the Santo-Domingo commodity shippers, say cocoa is operating at far below its potential.

Along with coffee, cocoa production is a labour-intensive industry in a labour-intensive country.

Coffee provides employment to 250,000 workers, and the harvest is carried out by some 45,000 families.

With cocoa, which is less subject so far to price changes, there are some 25,000 farms, 84 per cent of which operate plots of 12 acres or smaller. There are but a handful which produce from plots larger than 50 acres in size. Cocoa harvesting and processing creates employment for about 100,000 Dominicans.

Inherent in cocoa production is a perceived lack of productivity. The Dominicans use the tarea (¼ acre) as a measure, and point out that on average some 25 to 50 pounds of cocoa are produced per tarea. This compares with an optimum level of up to 200 pounds per tarea produced on experimental plots.

With Government policy firmly directed towards an improvement in export earnings—especially in the face of a floating, albeit reasonably stable, currency—a productivity improvement in such a vital crop is an important objective.

This will not be easily overcome given the country's 25 per cent unemployment rate and a distinct lack of appetite to undertake dramatic rationalisation of the farming industry.

Shippers believe, however, that major gains can be made by introduction of modern fertiliser techniques—some 2 per cent of all cocoa farmers use fertilisers to boost output and make far less than maximum use of their land for planting.

But with the high potential of the international confectionery industry, especially in the Orient, many shippers see the need for greater market awareness in the republic, an awareness that will lead to more cost-effective, and profitable production.

Frank Gray

Mr Carlos Morales during the recent election campaign. As the country's leading businessman and new vice-president, he will be responsible for implementing the policies of President Balaguer

Baseball

Life on the sports pages

ANY EUROPEAN businessman seeking to ingratiate himself with potential clients in the Dominican Republic would be well advised to begin by reading the sports pages of one of the capital's nine daily newspapers.

It will become immediately apparent that baseball is the national sport—indeed, the national obsession—as essential to the Dominican way of life as cricket is to the English-speaking Caribbean.

To recognise this is to understand the influence of the US on the Republic but, equally importantly, the impact of the island's athletes on what is America's national sport.

There is scarcely a single team of the 26 in the US major leagues — las grandes ligas — that does not have a Dominican player on its roster.

Television viewers were reminded of this on the July 4 Statue of Liberty centennial celebrations, when, among the many interviews with foreigners who have attained success in the US, there was a particularly emotive one with Manuel Mota, a Dominican-born coach with the Los Angeles Dodgers.

Daily one reads of the exploits of such home-grown stars as Jorge Bell, a strong hitter playing for the Toronto Blue Jays and reckoned to be one of the sport's potential super stars.

Hoy-Santo Domingo

Baseball: an essential part of Dominican life

The columns are also peppered with the names of other heroes such as Tony Fernandez, Damaso Garcia, Stan Javier, Juan Samuel, Julio Franco, Joaquin Andujar, Fernando Griffin. The list seems, and probably is, endless.

The domination by Dominican athletes of US baseball began two-and-a-half decades ago, and has supplanted that of Cuba, then the big Caribbean influence in US sports.

The republic's all-time US baseball superstar was Juan Marichal, a stylish, high-kicking pitcher who toiled for the San Francisco Giants for more than a decade-and-a-half. His strong right arm won him some 250 games, and a few years ago he became the first Latin American player to be elected to US baseball's Hall of Fame, the sport's highest accolade.

He is now an insurance company executive in Santo Domingo and is a senior official of the Social Christian Reform Party of president-elect Joaquin Balaguer.

The spawning ground for this talent is not the capital itself but the small town of San Pedro de Macoris on the Caribbean coast, 75 miles to the west, where youngsters use stones and scrap wood when baseballs and bats are not available.

Now being developed as a free port, or an industrial free zone, San Pedro has produced Bell, Fernandez, Andujar, Griffin and Mota, as well as other world class baseballers such as Cesar Cedeno and Rico Carty. Oddly, the great Marichal, who has inspired so much enthusiasm among youngsters, is from a small city in the interior.

Such Dominican influence on baseball shows no sign of diminshing, so close are the ties between the two countries.

It has been observed that if West Side Story, the popular ballet-musical depicting Puerto Rican street life in New York in the 1950s, were made today, the Puerto Ricans would have to take a back seat to their Dominican colleagues. The theme of the memorable dance on the rooftop would be the return to Santo Domingo, not San Juan.

US Immigration Department officials estimate that the Dominican population in the greater New York city area is about 600,000, mostly first and second generation families who began their exodus in the 1950s during the last years of the regime of the late dictator Rafael Trujillo.

If they were all to return, they would boost the island's population by 10 per cent, which reflects, more or less, the percentage of those Dominican baseball players making their names and fortunes in "las grandes ligas."

Frank Gray

Trade

Realism about policy

THE UPS and downs of the world oil market in recent years have had a salutory benefit on the otherwise carefree Dominican Republic in that it has brought home a sense of realism in the establishment of trade policy.

The Republic is not an oil producer and relies on major suppliers, such as Venezuela and Mexico, for most of its energy needs. It is helped to some extent by its own capacity to produce hydro-electric energy, but heavy silting, and the all-too-frequent hurricanes, means that its electricity facilities are operating at about 50 per cent of capacity.

Add to this the country's longstanding reliance on agricultural and mineral exports, which generate about 80 per cent of all export earnings. With sugar as the main cash crop, but one which has suffered from declining consumption and drastically reduced prices for years, the instant prognostication is that the country has serious trade problems.

Few economic planners disagree that there is an important battle to be waged to broaden and diversify, but the main hurdle—the decision by the Central Bank to let the peso, previously tied to the US dollar, float—has been jumped.

The result was a fall in the value fo the peso to a 3-to-1 level against the dollar, then its recent recovery to a level of about 2.70-to-1.

With oil, the republic likely would have a massive debt crisis; without it, it was able to arrange a rescheduling earlier this year with the International Monetary Fund and after implementation of a severe austerity programme.

The island for some years has had a severe import substitution programme—many well-known consumer goods, such as cigarettes and beer, are produced under licence—in order to curb imports of non-essential goods.

In the 1960s, it began to set up free trade zones. Although this programme remained embryonic for many years, it is beginning to move quickly ahead now, aided by Washington's Caribbean Basin Initiative, which provides duty-free access to the US market for a wide range of Caribbean goods.

There are some five "working" zones in the country now, and in all about 150 foreign companies are providing work to 40,000 labourers in export-oriented industries.

Cigar production. Millions of handmade cigars are exported to the US

The thrust of the Government's trade policy has been to encourage investment in export-oriented industries; the domestic economy, with a notable lack of disposable income, simply is too weak to support policies that boost imports.

To a large extent, the Republic is now in a position that should be occupied by Cuba, were it not for the Castro Government and 25 years of US trade sanctions.

Factories in Sanitago de los Caballeros, the Republic's second city, turn out millions of hand-made cigars a year for the US market. One marque is called the Habanera, which serves to tweak the nose of Cuban cigar merchants unable to sell into the US.

At the same time, hundreds of thousands of litres of rum are exported north. Although faced with the dominating competition of the expatriate Cuban Bacardi family, such brands as Bermuduez rum find ready outlets among the estimated 1m Dominicans living in the US.

Although the sugar trade is suffering, the US still takes the lion's share of what the Republic produces—some 280,000 tonnes of sugar went to the US last year. The US supplies a similar, ready market for coffee and cocoa, two other staple crops with a better long-term outlook than sugar.

"The US is a big market for us, and it is simply down to the availability of ships," says Mr Gabriel Roig, head of Commodity shippers Commercial Roig. "To ship to Europe, it is 15 to 30 days wait to get a ship. But for the US there are ships available two or three times per week."

In all, the US takes in about 70 per cent of the republic's exports, which last year totalled just over $800m. It supplied some 45 per cent of the island's imports, a figure likely to increase given the falling price of Venezuelan and Mexican oil.

Tourism, which is regarded as the major growth industry for the rest of the decade, will generate more than $400m in foreign exchange this year, against mostly from the US.

Germany and Japan, largely through car and electronic goods sales, are European leaders in the domestic market, but collectively ship just $100m in goods to the Republic, while lifting even less.

The UK, which once dominated the car industry—witness the countless Morris Oxfords and Austin Cambridges of a generation ago on Santo Domingo's streets—now trade less than $25m in goods per year with the republic, most of it in exports.

Not to be overlooked is gold, the island's one, true international commodity not so tied to a single marketplace.

With sales of 10.4 tonnes last year, it was Latin America's fourth largest gold shipper. Sales were just 3.0 tonnes in 1975, and its foreign earnings are likely to be better this year given the steady price of the ore, and the long-term outlook is good as the country has reserves that are estimated to last over 20 years.

Frank Gray

UK NEWS

Stable output prices boost low inflation hopes

BY GEORGE GRAHAM

MANUFACTURERS' output prices remained unchanged in June, boosting the Government's hopes of keeping inflation low in coming months. Industry's output prices continued, however, to outstrip the cost of its fuel and raw materials.

Output prices stood 4.5 per cent higher in June than they had 12 months earlier, the Department of Trade and Industry (DTI) said yesterday. That compared with an increase of 4.6 per cent in the year to May.

Input prices, by contrast, were provisionally estimated to have fallen by 1.2 per cent in June, or 0.7 per cent after seasonal adjustments. That left prices 8.4 per cent lower than they were 12 months earlier, compared with 8.7 per cent lower in the previous month.

The fall in input prices was due mainly to lower prices for home-produced food and imported commodities, the DTI said. The food, drink and tobacco industries collectively saw their fuel and raw-material costs fall by 1.2 per cent in June compared with a fall of 0.9 per cent in the costs of other sectors of manufacturing industry.

The continued slide in oil prices was expected to improve producers' costs further in coming months although some of the gain may be offset by the depreciation in sterling, which began in earnest last week.

Manufacturers saw the price of the fuel they purchase drop by 0.5 per cent last month, leaving fuel costs 11.9 per cent lower than a year earlier. Other materials prices fell by 1.4 per cent in June to stand 7.3 per cent below their year-ago level.

Some industrial sectors have seen a dramatic contrast between their input and output prices. Manufacturers of artificial fibres, for example, have over the last 12 months seen their fuel and raw-material costs fall by 10.5 per cent but have been able to increase their own output prices by 8.2 per cent.

Inflation has slowed more sharply in the consumer price area than it has for producers' prices. The Retail Price Index was until February rising faster than the producer price index but it has decelerated since then.

Where the annual rate of increase in producer prices has only fallen from 4.9 per cent in February to 4.5 per cent last month, the retail price inflation rate has in the same period fallen from 5.1 per cent to 2.5 per cent.

Pound hopes for a soft landing

THE POUND has slid so far and so fast since the middle of last week that financial markets have been moved to the sort of apocalyptic language usually reserved for a full-blown sterling crisis, George Graham writes.

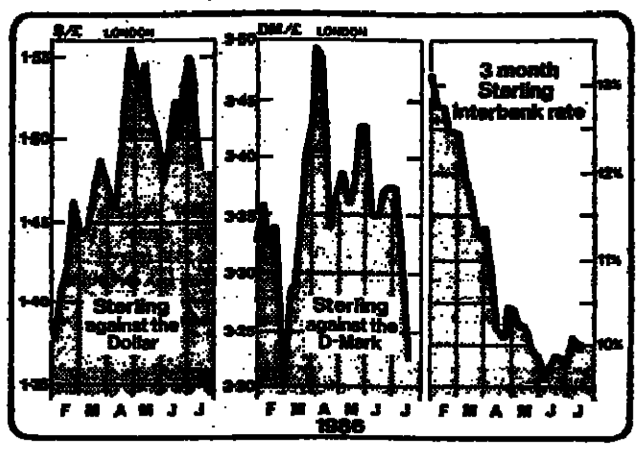
"Catastrophe point may have been reached," commented stockbroker Phillips & Drew yesterday, while even the more cautious analysts began to predict an end to the steady succession of cuts in UK interest rates since this year's budget in March.

Sterling exchange-rate index has fallen by 2 points in three trading days, the sudden decline prompted by the precipitous fall in oil prices. As prices plunged through $10 a barrel, currency traders suddenly began to recall the pound's status as a petro-currency.

Yet for the past four months, the Conservative Government has been able to persuade the markets that the effect of lower oil prices on the UK economy is "broadly neutral – if anything, slightly beneficial."

Treasury economists argued that North Sea oil and gas represented only 5 to 6 per cent of the UK's national income, 8 per cent of total UK exports and 8½ per cent of the Government's revenues.

While the collapse in oil prices would reduce those revenues, they said, consumers and industry would benefit, since lower oil prices would encourage higher world trade and output, with lower world inflation. The UK would gain, although by less than its main industrial competitors, which are net importers of oil.



With a run of poor UK trade statistics in recent months, however, investors have begun to wonder how soon the longer-term benefits of increased world trade would materialise to offset the immediate adverse effect of lower oil prices on the UK's balance of payments.

Since 1983, the UK has relied on its exports of oil and its surplus in invisible trade to offset a growing deficit on its trade in non-oil, visible goods. This year, oil trade is not likely to contribute the £8.2bn ($12bn) surplus it did in 1985.

The oil-trade surplus dwindled from £987m in January – when prices had just begun to fall but output was exceptionally high – to £212m in May. The non-oil deficit, however, reached the unprecedented level of £1.54bn in March, and has averaged £960m a month so far this year.

The Treasury remains sanguine. In its budget forecasts, it predicted that the deficit in non-oil visible goods would fall slightly to £9½bn, while a drop of £3bn in the oil trade surplus would be offset by a similar increase in the invisible trade surplus.

Even on the Treasury's assumption that the oil price would average $15 a barrel throughout the year, that forecast of a £3½bn current-account surplus in 1986 was viewed by many private-sector economists as too optimistic. With oil now changing hands at around $9 a barrel, the surplus is likely to be considerably less.

Since world economic activity has taken much longer to respond to the stimulus of lower oil prices than most forecasters had expected, the eventual benefits of increased world trade are as yet nowhere to be seen. Indeed, exports to members of the Organisation of Petroleum Exporting Countries have suffered.

The depreciation in sterling that would help the UK economy to adjust by increasing the competitiveness of its other exports has been slow in coming. On a trade-weighted basis, the pound's value is now only 6.5 per cent lower than its average for 1985.

Now that the adjustment appears to be in progress, however, Whitehall officials are treating it as no cause for immediate concern, so long as it proceeds steadily. An excessive decline in sterling, however, might jeopardise some of the advances made in reducing the rate of inflation, so the authorities are expected to proceed towards lower interest rates even more cautiously than in recent weeks.

In the short term, that might mean that the prospect of a cut in UK banks' base rates, which many analysts had expected to be imminent, has receded. Yet another round of international interest-rate reductions, led by the US Federal Reserve last week, might help the pound to maintain its interest-rate cushion and allow it a soft landing.

Branson unveils his campaign for the greening of Britain

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MR RICHARD BRANSON, the millionaire rock-record chief, airline entrepreneur and transatlantic speedboat racer, yesterday unveiled "UK 2000", a Government-backed body that will campaign to make Britain greener.

Mr Branson will chair the organisation for a year. It will provide an umbrella for voluntary bodies, trusts or charities already engaged in environmental work. They will be the vehicles for channelling 5,000 jobs under the Government's Community programme into clean-up and "greening" projects.

New government money will amount to £750,000 to pay the running costs. The community programme jobs will cost £22m in wages but will be not so much "new" as better directed and co-ordinated.

The aim is not just to clean up Britain, but to wipe out dereliction and bring more green into cities, making districts more attractive and, the Government hopes, creating new opportunities that the private sector will seize. As the name implies, the project will last at least 14 years.

The value of appointing Mr Branson, a charismatic figure with youth appeal, was demonstrated by yesterday's launch, which took place in Dean Clough Industrial Park, a renovated, formerly derelict complex of old mill buildings deep in the heart of Halifax. That now houses 140 small businesses employing more than 1,000 people. Rescuing and cleaning up the buildings created their opportunity.

The launch was orchestrated like a show business event, complete with compere. The warm-up men were Mr Nicholas Ridley and Lord Young, Secretaries of State for the Environment and Employment respectively, who prepared the large, invited audience for the entrance of the bronzed and casually dressed Mr Branson.

A complaint from a Halifax councillor that there seemed no formal involvement of local authorities in UK 2000 was neatly sidestepped, arousing suspicions that here is yet another body through which the Government is bypassing local democracy to have its own way in attempted economic regeneration.

● Ivor Owen writes: Money for the clean-up has been diverted from local authorities denied adequate resources for street cleaning and similar work, Labour MPs claimed in the House of Commons yesterday.

Surveyors vote for stock-market access

BY ANDREW TAYLOR

CHARTERED SURVEYORS yesterday voted to change the rules of their governing professional body to allow members to become public quoted companies or subsidiaries of larger groups.

The rule changes have been forced by growing competition for business within the financial-services sector. They will allow commercial and residential estate agencies greater freedom to issue shares and merge with other companies.

Members of the Royal Institution of Chartered Surveyors voted by 92 per cent – although only 10,000 of the 55,000 membership voted – to end restrictions preventing agencies from issuing more than 25 per cent of their capital to outside shareholders.

Under the new regulations, estate agents operating as unlimited-liability partnerships will be free to incorporate as limited or unlimited companies.

The institution last night welcomed the decision and said: "With open access to the stock market and injections of outside capital available, chartered surveyors will be in a stronger position to compete against the banks, building societies and other bodies now offering surveying services."

Insurance companies such as Prudential, and banks such as Lloyds and Hambros have increasingly been making inroads in the housing market through estate-agency offshoots.

Austin Rover faces US challenge on car name

AUSTIN ROVER is involved in a battle about the use of the name Sterling for its new executive car in the US, Kenneth Gooding writes.

London Coach, a company based in Michigan, has objected to Austin Rover's use of the name and, as a result, the US patent office so far has rejected the UK company's application to register it.

However, Austin Rover said yesterday that the name would be used and the launch of the Sterling, known in the UK as the Rover 800, would go ahead as planned in the US early next year. The Rover Group (formerly British Leyland) subsidiary said negotiations were in progress with the US company.

London Coach imports to the US London black taxi kits from the Carbodies company in Coventry, instals engines that meet US emission requirements and completes the final trimming. It calls one version of the London cab the Sterling Limousine.

□ NORTHERN Ireland experienced more violence on the last main day of the Loyalist July holiday marches, but Sir John Hermon, head of the Royal Ulster Constabulary, said common sense and restraint had prevented the scale of disturbances that some people had forecast. He blamed heightened tensions on the Anglo-Irish agreement, which gives Dublin a voice in the affairs of the province.

□ AMNESTY International has announced the appointment of Mr Ian Martin, a 39-year-old Briton, as its next secretary general and chief executive of the movement, which has 500,000 supporters around the world.

□ MERCURY, the only competitor to British Telecom's main network, is to introduce its first local call service in the London area from the first week in August, a month earlier than scheduled.

□ TRUSTEE Savings Banks will be formally transferred to the private sector next week as part of the preparations for its stock-market flotation, MPs were told.

Mitsubishi Canter truck to be assembled in Ireland

MITSUBISHI of Japan is likely to enter the UK light truck market with a vehicle assembled in Ireland, Kenneth Gooding, Motor Industry Correspondent, writes.

A 3.5 tonnes gross weight chassis-cab version of the new Mitsubishi Canter truck arrived in Britain yesterday. The importer, Colt Car, is to pay for the technical tests necessary before it can go on sale in the UK.

The Japanese industry has an unofficial agreement with the UK Society of Motor Manufacturers and Traders not to export heavy trucks (over 3.5 tonnes) directly to Britain.

Colt, based at Cirencester Gloucestershire, and 49 per cent owned by Mitsubishi, said yesterday it was not its aim to circumvent the agreement by bringing trucks in through an Irish "back door".

"There is some demand for us to extend our commercial-vehicle range but the small numbers we would expect to sell make it more sensible to bring the trucks in from Ireland than fully built-up from Japan," Colt explained.

Although the recently introduced Canter – which has a new tilting cab more suitable to European demands – will be put through the technical tests, Colt said that did not necessarily mean it would be sold in the UK. The vehicle was just the subject of a feasibility study.

The Canter trucks will be assembled in Ireland by MNC Commercials of Dublin from kits sent from Japan.

Colt caused some controversy in 1982 by importing to the UK under the name of Lonsdale cars built at Mitsubishi's factory in Australia. Some observers argued that that was in contravention of the "gentlemen's agreement" between the UK and Japanese motor industries, which limits car shipments from Japan.

Colt insisted that the Lonsdales were not Japanese as they had an 85 per cent Australian content measured by ex-factory value. However, the Lonsdale project was not a success and no Australian cars were imported last year.

Precedent for the non-direct shipment of Japanese trucks to the UK via Ireland was set by Hino, a company in which Toyota has an interest.

HCV Motor Vehicle Distributors, the importer based at Warrington New Town, sold more than 350 Hino trucks in the UK between 1980 and the middle of 1983 when the British Government introduced "type approval" technical and safety tests for heavy vehicles and brought sales to a halt.

Mr Liam O'Neill, managing director of HCV, said yesterday that two trucks had already successfully been put through type approval and a third would be shortly. Sales started again recently and HCV hoped to sell about 100 heavyweight Hinos this year.

New coal-fed power stations may meet electricity demand

BY MAURICE SAMUELSON

BRITAIN'S ELECTRICITY industry is likely to seek planning permission early next year for two big coal-fired power stations in southern or south-west England, whether or not it receives approval for its first pressurised-water reactor at Sizewell, Suffolk, on the east coast of England.

They would be the first to be ordered in Britain for about a decade and would increase the electricity industry's coal consumption by nearly 10m tonnes a year. As coastal or river-front stations, they would be capable of burning imported coal, an important factor in future bargaining over British coal.

The Central Electricity Generating Board (CEGB) says it is designing the two new 2,000 MW stations because of higher growth than expected in electricity demand. They would be sited in the south of England to ease the strain on the distribution system in that part of the country.

The plans do not conflict with the CEGB's firm commitment to expand its nuclear capacity, which at present supplies almost 17 per cent of its needs. But if Sizewell is approved and commissioned, as planned, in 1994-95, the CEGB would still aim to bring the two new coal plants on stream about a year later.

The new plants, expected to cost up to £1bn each, would be the first coal stations to be commissioned in Britain since the late 1970s when Mr Tony Benn, as Labour's Energy Secretary, ordered the CEGB to double the capacity of its 2,000 MW station at Drax, North Yorkshire.

The CEGB says that Drax extension, recently completed at a current cost of £926m, was built on time and within its original budget. With the help of the experience at Drax, it would hope to do even better on the new power stations.

It is therefore considering whether the stations should consist of two 900 MW generating units, instead of the three 660 MW units, which are the biggest so far built in Britain.

British boiler and generator suppliers have experience in building units of up to 1,200 MW for overseas power stations and are believed to be anxious to build the first 900 MW sets in the UK.

The sites in which the CEGB is believed to be most interested are at Fawley or Marchwood, on Southampton Water, and at Insworke Point, Plymouth. Other possible locations are at Kingsnorth or Barking on the Thames. An inland site is not excluded, although West Burton, in the Midlands, is thought likelier than Didcot, Berkshire, which was named in a weekend press report.

The CEGB is unlikely to win permission without a local planning inquiry, but resistance to coal-fired power stations can hardly match that which has held up the Sizewell nuclear project.

Hostility of the environmentalist lobby will also be moderated if, as is expected, the CEGB agrees to equip the stations with anti-pollution features to reduce their emission of sulphur dioxide and nitrous oxides.

Prices accusation, Page 18

Profits rise by 20% at Robert Fleming

BY BARRY RILEY

A BREAKTHROUGH in profitability of the corporate finance department was said to be the significant feature of the 1985-86 performance of Robert Fleming Holdings, the privately owned merchant banking group. Yesterday it reported a 20 per cent rise in profits after tax, minority interests and transfer to inner reserves for the year ended March 31 1986.

Fleming's big corporate finance deals last year included the defence of the Distillers Company, the flotation of Wellcome and the promotion of the Channel Tunnel Group. The department has continued to be busy in the current year.

Mr Joe Burnett-Stuart, chairman, said in his annual statement that the group was "as well prepared as any to grasp the opportunities which will come with Big Bang in London and with the other changes, no less important, in every financial centre in the world."

Revaluations of assets have boosted Fleming's balance sheet, with capital and reserves up from £118.1m to £195.3m. Listed investments are taken in at market value, and the 39 per cent stake in the unquoted Save & Prosper group has been included at a new directors' valuation of £43.8m – effectively putting a value of £74m on Save & Prosper as a whole.

Sharp increases in Robert Fleming pay levels are disclosed, with a jump of 69 per cent in aggregate management remuneration, including pension contributions. The number of directors earning more than £100,000 last year increased from three to 13, and Mr Burnett-Stuart's own remuneration as chairman rose from £132,800 to £204,000.

Mr Burnett-Stuart said Fleming was continuing to lose money on its market-making activities in UK equities but looked forward to joining the Stock Exchange in October. That operation was fundamentally profitable, allowing for its temporary disadvantages in standing outside the Stock Exchange framework. For the time being, Fleming continued to have to bear stamp duty and brokers' commissions on some transactions.

The overall profitability of securities dealing and broking, including foreign stocks, was good. There was also an "extremely good" trend in the investment management side – where Fleming earned half its total revenues – both in terms of good investment performance and success in gaining new business.

Fleming did not intend to follow Morgan Grenfell, the merchant bank, and seek a Stock Exchange listing as a source of finance.

Management buy-outs at £930m for 1985

BY WILLIAM DAWKINS

MANAGEMENT buy-outs are taking place in the UK on a far larger scale than figures have suggested, according to the University of Nottingham's Centre for Management Buy-Out Research.

It estimates in a study that £930m worth of management takeovers took place in Britain last year, bringing the total since 1979 to £1.9bn.

Mr John Coyne and Mr Mike Wright, the centre's directors, said there were 227 buy-outs last year, worth an average of £4m each, against 210, worth £1.2m each, in 1984.

Their full findings will be published in September by Venture Economics, the US research consultancy. The Nottingham figures are nearly 15 per cent above earlier estimates by Peat Marwick, the accountants, mainly because they include buy-outs that are either too confidential or too small to be announced.

The centre says that even its own figures might understate the size of this fast-growing phenomenon because it is hard to keep track of the increasing number of deals quietly financed by straight bank loans through clearing bank branches equity investment.

UK NEWS

UK accused of failing to honour electricity pledge

BY MAURICE SAMUELSON

MAJOR INDUSTRIAL users of electricity in the UK are accusing the Government of failing to honour a pledge that electricity tariffs would be cut to reflect a cut in the price of power-station coal and falling world oil prices.

Although domestic and most commercial and industrial customers are better off, they say that for the high-load consumers, electricity tariffs are only 1 to 2 per cent lower than a year ago, compared with the 7-8 per cent reduction announced five weeks ago by Mr Peter Walker, Energy Secretary. (Mr Walker was commenting on the £800m cut in the power station coal over the next two years.)

Mr Alan Marriott, a director of the Paper and Board Industries Federation, says that as a result of Mr Walker's statement, the buyers of British-made paper were asking why they were not benefiting from the promised 7-8 per cent electricity cut.

"We have to tell them that Mr Walker's statement was a political con," says Mr Marriott. For some smaller sites, electricity tariffs had actually increased.

His complaint is echoed by other energy-intensive industries, including steel, chemicals and cement, which have long argued that their most energy-intensive sites face higher energy bills than many of their European counterparts.

The Energy Department strongly denies that Mr Walker sought to mislead the public, and says his critics fail to take into account the cancellation of the 5 per cent tariff increase for electricity scheduled from April 1.

The Electricity Council, for its part, points out that further tariff reductions may be announced later in the year as a result of a price review currently in progress.

Energy-intensive companies that pay more than their European competitors are also disappointed by the continued delays in implementing a special cheap electricity scheme to remove such inequalities.

It would have involved supplying power stations with 4m tonnes of coal a year dedicated to cheaper power for large industrial sites that use electricity 24 hours a day. The Central Electricity Generating Board and the coal industry are said still to favour the deal, but the Electricity Council, the electricity industry's umbrella body, shows marked lack of enthusiasm.

Industrial-gas prices in Britain are also a source of grievance. Prices of gas sold on interruptible contracts, where customers may switch to other fuels, have fallen sharply.

But customers tied into firm supply contracts have enjoyed relatively little benefit since last October, in contrast with those in Continental countries, where some prices have been more than halved.

ELECTRICITY TARIFFS FOR STEEL WORKS (Pence per kilowatt hour)

	Oct 1985	July 1986
UK	2.7	2.7
France	2.3	2.1-2.3
Italy	2.3	1.9
Netherlands	2.7	2.4
Belgium	2.6	2.6
West Germany	2.5-3.0	2.5-3.0

Source: British Steel / British Independent Steel Producers' Association

INDUSTRIAL "FIRM" GAS PRICES (Pence/therm)

	Oct 1985	July 1986
UK	34	30-34
France	33.5	24.7
Netherlands	29.25	18.7
West Germany	35-39	19-25
Italy	29.7	13

Steel industry sources

Tourists spend a record £10bn

By James McDonald

TOURISTS FROM within Britain and from overseas spent a record £10bn in England in the year to March 1986. That was £1bn more than in the previous 12 months, the English Tourist Board (ETB) said in its annual report.

Of the extra £1bn, £750m came from overseas visitors, who spent a total of £4.93bn. British tourists on holiday in England spent £5.08bn – £275m more than a year before.

"After an encouraging first three months of growth, visitor numbers from North America fell by 19 per cent in April compared with the same period last year," said Mr Duncan Bluck, ETB chairman.

"Great efforts have been made by the tourist boards and the industry to counter this decline and there have been strong signs that this market is recovering and that the downturn was temporary."

Mr Bluck said there were still many "who believe that a job in the tourism industry is in some way less of a job than one in a manufacturing industry. All of us need to work hard in changing the attitudes of those who think in this way."

● The British Museum was the main tourist attraction in London last year, according to figure released by the London Visitor and Convention Bureau (formerly the London Tourist Board).

In its list of the top 10 visitor attractions in 1985, the British Museum took in 3.8m visitors. The National Gallery had a total of 3.2m viewers and the Science Museum 2.7m visitors. The Natural History Museum came fourth, with 2.5m

English Tourist Board, annual report to end-March 1986, Department D, 4 Bromells Road, London, SW4. £5.

Brussels allocates £26m regional aid

BY PAUL CHEESERIGHT IN BRUSSELS

WALES WILL receive more funds than any other British region from this year's fifth allocation of cash from the European Community's regional fund.

It is providing £26.3m to assist industrial and infrastructural projects throughout Britain, of which £9.69m will go into Wales.

The fund, established in 1975, is designed to assist poorer regions of the Community, but most of the money disbursed is granted on a national quota basis.

The UK has consistently been the second largest beneficiary in the Community, after Italy, but latterly has been supplanted by Spain and Portugal, the newcomers to the Community, and Greece. In Ecu terms, this year the UK has received 71.1m, against 479m for Spain, 318.2m for Portugal, 270.3m for Italy and 121.2m for Greece.

The aim of the fund is to assist small projects, so the money going to Britain is thinly spread

Export sales of mining equipment reach peak

FINANCIAL TIMES REPORTER

EXPORTS OF mining equipment were a record £213m last year, the Association of British Mining Equipment Companies (ABMEC) says. The figure was 9 per cent up on the previous year's £196m.

The improvement came entirely in underground equipment, particularly because of the introduction of longwall mining technology. Exports of £171m were 17 per cent ahead of 1984.

Exports of surface equipment were 14 per cent down, at £42m. ABMEC said that was mainly a result of the completion of large projects in Asia in 1984.

As in previous years, the biggest export market was the US, where sales were up by nearly 60 per cent at £57m. The next largest was South Africa, with £22m.

ABMEC said Europe became its *second largest business area for the* first time last year, accounting for 17 per cent of sales. Exports to Eastern Europe were up 46 per cent. Sales to China, by contrast, fell from £33m in 1984 (making it the second biggest customer that year after the US) to £12m.

FT COMMERCIAL LAW REPORTS

Bank's demand for unspecified sum is valid

BANK OF BARODA v PENESSAR
Chancery Division: Mr Justice Walton: July 7 1986

WHERE A debenture provides for repayment of the sums secured "on demand," the demand is not invalidated by its failure to specify the amount due; and the appointment of a receiver under the debenture is not invalidated by its being made very soon after the demand if the debtor was given adequate time, not to find the money, but to carry out the mechanics of obtaining it.

Mr Justice Walton so held when giving judgment for the plaintiff, the Bank of Baroda, in its claim for sums due to it under guarantees signed by three brothers, Mr Avtar Singh Panessar, Mr Kewal Singh Panessar, Mr Kulwant Singh Panessar, and their respective wives.

* * *

HIS LORDSHIP said that the three brothers owned two companies called Lowcroft and Glimtone. Both were engaged in the fashion trade and banked with the Bank of Baroda at its Whitechapel branch.

On September 22 1981 the companies joined together in giving a debenture to the bank in respect of all moneys owed by them. The debenture provided for repayment on demand, and, in default of compliance, the bank was entitled to appoint a receiver. The following day a guarantee in respect of each company was given, bearing the signatures of the three brothers and their wives.

By November 25 1983 both companies had exceeded their overdraft limits. The bank had overlooked the violations from time to time, but head office finally lost patience and decided to demand its money and to appoint a receiver.

Both companies were technically insolvent. Neither was in a position to pay its debts as and when they fell due. By November 25 Lowcroft was suffering executions in respect of unpaid judgment debts, and Glimtone had suffered a distress by the landlord for non-payment of rent.

On that date a demand note was taken by the bank manager to Lowcroft's registered office and deposited on the counter by, at the latest, 9.45 am. The other demand was left, not at Glimtone's registered office, but at its premises, sometime between 10 am and 10.15 am.

Meanwhile the intended receiver had been alerted by the bank's head office that his services might be required. Shortly after 11 am the manager handed him two notices of appointment, one in respect of each company.

The receiver discovered the notices of execution under which all the stock had been seized by way of walking possession, and he decided that it was expedient to close the businesses down. He did so in both cases.

It was now alleged by the brothers and their wives that the receiver's appointment was not justified under the terms of the debenture in that no proper notice requiring repayment of the moneys thereby secured was given; and that no sufficient opportunity was given to the companies to pay off the moneys demanded before the receiver was appointed.

They said the purported appointment had the effect of discharging their liability under the guarantees or, short of that, it would give the companies a good claim in trespass against the receiver which could be set off against the companies' indebtedness to the bank.

The demand in each case read: "We hereby demand all moneys due to us under the powers contained in the debenture . . ." No reference was made to the amount of money actually secured by the debenture.

Mr Moncaster, for the brothers, contended that the demand should have specified the amount of money due.

There did not appear to be any English authority on the point, but Mr Cresswell, for the receiver, referred to a persuasive case in the High Court of Australia, *Bunbury Foods v National Bank of Australasia [1984] ALJ 199*.

In that case the company undertook by debenture to repay the bank on demand. When the bank demanded payment of the loan moneys it did not specify the amount then owing by the company. It was held that the notice was nevertheless valid. The court said: "To require the creditor in all cases to specify the amount of the debt may operate to impose an onerous burden upon him. Some accounts may be so complex and so constantly changing that it is difficult at any given time to ascertain or to assert the precise amount that is due . . . It is not essential to the validity of the notice calling up a debt that it correctly states the amount of the debt."

That reasoning as to the content of the notice of demand was very persuasive. There was no reason why the creditor should not do precisely what he was by the terms of his security entitled to do—to demand repayment of all moneys secured by the debenture.

In most cases, as in the present case, the debtor had no real means of paying off the sum due and it would be idle to put the creditor to what might be very considerable expense in ascertaining the precise amount. If on the contrary the debtor was in a position to pay off the sum demanded and wished to know the exact amount, he could ask the creditor what sum he was expecting to be paid. Under those circumstances one imagined that the creditor would tell him to pay whatever the last accounts showed and to settle the rest later.

The next question was whether sufficient time for compliance with the demand had been allowed before the receiver was appointed.

In *Toms v Wilson (1865) 4 B & S 442, 453* where the debtor was under an obligation to pay immediately on demand, Lord Cockburn CJ said that he must have reasonable time to get the money from some convenient place. "For instance, he might require time to get it from his desk or to go across the street or to his bankers for it."

That was endorsed in *Moore v Shelley (1883) 8 App Cas 285, 293, and approved in RA Cripps v Wickenden [1973] 1 WLR 944*. In *Cripps* the interval of time was approximately one hour and the judge said the debtor could not object on the ground that it was not given time to find the money or that the interval was too short.

Cripps was followed in *Hanson v Pugh unreported June 25 1975* where his Lordship had said "the debtor is not in default in making the payment demanded unless and until he has had a reasonable opportunity of implementing whatever reasonable mechanics of payment he may need to employ to discharge the debt . . . this is limited to the time necessary for the mechanics of payment. It does not extend to any time to raise the money if it is not there to be paid."

Therefore, in a case such as the present where the authenticity of the demand did not come into question, the time allowed by the bank to the companies was in both cases amply sufficient.

A slightly different approach had been adopted by a number of Commonwealth authorities, where the time to be allowed for a debtor to comply with the demand had been stated to be a "reasonable time." The difficulty inherent in that formulation was that the test of reasonableness was left wholly imprecise: reasonable for doing what? It had been said that a reasonable time depended on the circumstances of the case.

As a commercial matter, and a debenture was very much a commercial matter, a short but adequate period limited to the implementation of the mechanics of payment, was to be preferred to the test of "a reasonable time depending on the circumstances of the case." The latter appeared wholly imprecise and the danger of underestimating the period from the creditor's point of view would be considerable.

In the present case there were no resources available to meet the debt and accordingly if the "reasonable time" did apply the end results would be no different.

Mr Moncaster took the point that the notice served on Glimtone was not properly served since service did not take place at its registered office, but at its principal place of business.

There was nothing in that point. The debenture was a commercial document, intended to have commercial validity. One could not imagine a better place at which to serve a notice intended to reach those in control of the company's affairs than at its one and only place of business, being the sole address for the company given on its notepaper.

Had it been concluded that the receiver was not validly appointed, the companies would have been estopped from complaining. Not only had they failed to object to his appointment, but they had dealt with him on the footing that he was validly appointed and were therefore estopped from denying the appointment was valid.

The bank was entitled to judgment for the sums due to it under the two guarantees. Counterclaims based on the invalidity of the receiver's appointment failed.

For the brothers: John Moncaster (Thompson & Co).

For the wives: Cenydd Howells (David Goble & Co).

For the bank: Michael Crystal QC and John Higham (Isadore Goldman & Son).

For the receiver: Peter Cresswell QC and Gregory Mitchell (Barlow Lyde & Gilbert).

By Rachel Davies
Barrister

CONTRACTS

Changes at Victoria Station

COSTAIN CONSTRUCTION has won the contract to build Heron Property Corporation's £11m London Victoria Station shopping centre, to be known as Victoria Place. Work has begun on the upper level of the double decker development planned in the void above platforms 13 to 19. At this level, Heron Property, now officially signed up as developers by the British Rail Property Board, plans a food court, consisting of chairs and tables surrounded by cafes and fast food bars, along with a licensed bar and restaurant.

On the lower level of the 72,000 sq ft development, 17 shops will be built. Half the shopping space is already under offer from well-known High Street names including Boots, Next, Dorothy Perkins and Body Shop. The agents report that rents of £60 a sq ft (zone A) are being achieved. Under the schedule, shops and restaurants will be available for fitting out in a year's time. The opening ceremony will be in September next year when British Rail opens its new Victoria rail/air terminal.

★

RUSH & TOMPKINS has won eight contracts worth more than £11m. Largest is a £5.3m order from the Property Services Agency for 11,600 sq metres of garages at Tidworth Garrison in Hampshire. Work has started on the two and a half year project, which consists of nine steel frame buildings with profiled metal cladding and reinforced concrete foundations and floor slabs. Three compounds and extensive external works are also included in the contract. The PSA has also awarded a £2.5m contract for three interlinked buildings totalling 3,700 sq metres at the Manadon Royal Naval Engineering College at Crownhill, Plymouth. The steel frame metal clad structures include engine test cells, steam plant and a 35 metres long testing tank. Work has started and is due for completion in August.

★

More than £11m worth of contracts have been won by ERNEST IRELAND CONSTRUCTION, Bath, part of the Mowlem group. The biggest award, worth nearly £3.6m, is for an Olympic-size ice rink and leisure centre at Binfield, near Bracknell, Berkshire. Designed to the requirements of the National Hockey League and with capacity for 3,000 spectators, there will also be bars, keep-fit facilities and a ski lodge overlooking an existing dry ski slope. Being constructed for Key Properties, the centre will be built on piled foundations with a steel frame and profiled metal sheet cladding. Work has started for completion in summer 1987. In Southampton the company has won a £2.4m contract for alterations, refurbishment and redecorations to the six-storey Gaumont Theatre, recently purchased from Rank by Southampton City Leisure, a subsidiary of the city council. The work comprises the construction of a 12-metre scenery dock extension and ramp at the rear of the building, the renewal of all mechanical and electrical services, alterations and refurbishment to bars, the construction of a stage lift in the orchestra pit and the upgrading of seating and carpeting.

★

M. J. GLEESON (NORTHERN) has won contracts worth a total of £10.5m, the largest being the new Crown Court at Grimsby for the PSA valued at £2.8m.

★

BALFOUR BEATTY BUILDING has been awarded a £3.1m contract by Centros Properties for the construction of a supermarket with a seven-level car park above, 12 shop units on the ground and first floor levels with a maisonette over one of the units. A road diversion and the pedestrianisation of St Mark's Road is included. Completion is scheduled for September 1987. The company also has a £156,000 order from British Airways for repairs to the apron and taxiways in the No 1 Maintenance Area at Heathrow.

★

The Newport based cable division of STC TELECOMMUNICATIONS has received an order for optical cable worth £1.9m from British Telecom. BT's Local Line Services placed the order, which covers optical fibre cable and special terminated tail cables for use in the UK junction network, the local links between exchanges in the same area. The hair-thin fibres in the cable are manufactured by the STC optical fibre unit at Harlow, Essex. STC's cable division has designed the cable and will manufacture both cable and terminations in Newport.

THE ARTS

Hayward Gallery/William Packer

Stepping out from the Nordic shadows

Luncheon Under the Big Birch, a watercolour by the Swedish artist Carl Larsson

Dreams of a Summer Night, that now fills the principal halls of a Hayward Gallery on the South Bank with *fin de siècle* painting from the five Nordic countries (until October 5), is a major exercise in art-historical rehabilitation, a joint initiative of the Arts Council and the Nordic Council of Ministers under the copious sponsorship of Volvo that in the autumn is to go on to Dusseldorf and then, in an augmented version, to Paris. The work is offers us, so much of it so shamefully unfamiliar, is fascinating throughout and, it seems almost at every turn, extremely beautiful, achieving so often moments of true and memorable poignancy and power. It must also be said that it has its decided faults and limitations, but even so it is an exhibition of the first importance.

The substantial pleasure to be had of it all may indeed be in large part a function of our own *surprise* and *delight in* new experience, but we must take care that such an immediate and natural reaction in itself does not deflect us thoughtlessly into an easy patronising qualification, as though to say: how quaint, how clever, fancy that. If the show is indeed of the first importance, it can only be, in the *first place, because the best of* the work itself, for itself on its own terms, is of the very highest quality as art. This is a matter not of superficial character and type, of imagery and influence and historical moment, but of innate, essential quality. That there should still be an argument, and the standing of such work, with the one great and obvious exception, not yet entirely commensurate with its quality, is rather the point of the exercise.

It is of course the actual practice of art history, with its natural preoccupation with sequence and chronology, and influences given and received, that has been responsible for this comparative invisibility. The habits of scholarship are narrow, from which follow the real strengths of expertise and special study, but certain conveniences, too, of thought and classification, may too easily be accepted. That one city or nation should enjoy the monopoly of creativity and talent is obvious *nonsense, which only* has to be examined to be exposed, yet the examination of the idea that in modern times where Paris led the world followed has been a long time coming.

That it has come at last in no sense denies the position of Paris at the centre of modernism, the *carrefour* as it were of Europe's cultural affairs, but it does inform our understanding of what not only was passing through but also going on elsewhere. In the national gallery of every country in Europe there is to be found the celebration of the national school, not all of them simultaneous in vigour, of course, but always interesting and worth attention. To deny its particular qualities and virtues, or even its very existence, because its artists were not in Paris, or looked elsewhere, is to miss the point.

Travel Through Europe for a generation before the First World War was rapid, easy and unfettered, and the artists of Scandinavia were as free as any others to take full advantage. If they gravitated first to Copenhagen, they were as likely to move on to Berlin or London, Budapest or Vienna, Rome or Zurich, as to Paris. And they took home with them a wide practical experience and example of the latest art. It is the quality of this contemporary engagement put to the expression of personal vision, informed as it must also be by national temperament and circumstance, that *Dreams of a Summer Night* puts before us.

It is something of a pity, perhaps, that such a title places the emphasis so much upon the matter of content, and the symbolic reading of these images of the endless northern twilight in all its seductive melancholy — the summer house in the forest, the verendah, the view across the water in the fading light. But it does pull the work together within a coherent vision, that suggests the general formative experience and a common sensibility.

The quality of melancholy, actual or unspoken, informs everything in the exhibition, none more so than the work of Edvard Munch, who is without question the greatest artist represented. And it is indeed an aspect of the exhibition's fundamental importance that it transforms our understanding of Munch, as one of the great masters of expressionism, by setting him, in his work in the years of his early maturity before 1900, in his true Nordic context. Far from being a unique phenomenon, springing fully formed out of nowhere, we see him amongst his peers, and losing nothing of his force or originality by the association.

But other artists make substantial claims to greatness: Vilhelm Hammershøi, a Dane and Munch's near contemporary though so very different, is perhaps the most remarkable with his quietist images of cool, plain interiors and Vermeer-like figures, their backs turned. Peder Krøyer, another Dane, whose contemporary fame extended to his being given a room to himself at the Venice *Biennale of 1909, the year of* his death, is another outstanding figure, and it is a real fault in the exhibition that here he should be seriously under-represented.

The show altogether is smaller than it should be (it was not a good idea, perhaps, to pair it with *L'Amour Fou*, the excellent exhibition of surrealist photography in the Upper Galleries, which I shall discuss another time). In particular the work that came out of the artists' colony of Skagen, of which Krøyer, with his gentle and suggestive impressionism, was a leading member, deserves a clearer showing. Skagen, at the northern tip of Denmark, *attracted artists from all over* Scandinavia, and the work has strong affinities with what was being done at about that time in Brittany, Cornwall and the Netherlands.

Of the more positive surprises, one of the nicest is to discover how many and how good the women painters are and how, at least in Scandinavia at that time, they practiced on an equal footing and were taken with an equal seriousness to the men. Anna Ancher, a native of Skagen, was the better painter than her husband Michael. In Norway there were Kitty Kielland and Harriet Backer, in Finland Helene Schjerfbeck and Ellen Thesleff.

The quiet, delicate intensity of Thesleff's modest portrait studies, and one fugitive landscape, make for a group of the loveliest works of all. The more obvious and self-assertive qualities of some of the men, the Swedes Eugene Jansson, Richard Bergh, Carl Larsson, Anders Zorn with his Sargentean panache, and even Prince Eugen of Sweden, that model amateur, declare themselves but none the worse for that.

Rita Hunter/Festival Hall

Richard Fairman

For a century or more, singers from Australia have come to Europe to find their fame and fortune. There are not many stories of people making the journey in the reverse direction, but by finding a niche in Australia to further her career as a dramatic soprano Rita Hunter has shown it can be done. This recital on Sunday night at the Elizabeth Hall was an old-fashioned homecoming with songs — Balfe, Coates, Novello—to match.

No doubt this repertoire suits her better than Schubert or Wolf would. The trouble was that she sang a lot of it and much of it in the same way. The popular "Caro mio ben" by Giordani floated on an affecting *piano;* and Foster's "Jeannie with the light brown hair" was suitably dreamy and sentimental. But for the rest there was too little verbal nuance, not enough variety in tone: sung like this, Paisiello soon begins to sound like a distant cousin of Ivor Novello.

In the operatic excerpts, the voice recalled its old glory. Most of the audience will have come to the recital with echoes of the "English *Ring*" still strong in their memory, and for them the obvious health of the singing will, perhaps, have been enough. The power is still there, as is the characteristic tone quality with its fast vibrato at the top of the stave. To that "La luce langue" from Verdi's *Macbeth* added a strong chest register and Italianate fire.

An excerpt from Strauss' *Elektra*, given with full dramatic attack and fearless top notes, gave a decent idea of the new repertoire she is essaying these days in Australia. Otherwise one had to look for the good things. The introduction of the tenor Mike Schirn as her partner was not a good idea. Victor Morris' incisive accompaniments at least offered a consistent level of musical pleasure. It was, by and large, an evening for the converted.

Gabrieli Quartet/Wigmore Hall

Dominic Gill

This year's series of 24 "Wigmore Summer Nights" concerts is drawing to its close (just seven remain between now and the end of July), but has lost none of its impetus meanwhile. A packed hall greeted the Gabrieli String Quartet on Saturday night for their programme of Mozart, Janacek and Schubert.

It was not a remarkable evening, but it had its relaxed and unostentatious virtues. The Gabrieli opened with Mozart's F major quartet K590, delivering it with that genial, not especially searching way they have, which treats the broad flow and the texture of the music as more significant, and more worthy of special emphasis, than its small-scale, subtle detail. It's another way of looking at, and hearing, Mozart's string quartets — not one which bears the scrutiny of too close a focus perhaps, but a relaxation once in a while, and perfectly viable. The performance had the charm, and the immediacy, of an impromptu after-dinner recital among friends.

The account which followed of Janacek's second string quartet—the "Intimate Letters" quartet, that passionate hymn *of love to his mistress*, Kamila Stosslova, 38 years his junior, which Janacek wrote at the age of 73 in the last year of his life—was strong and lively. But it was never quite as closely focused or as spine-tingling at its climaxes, as it can ideally be. Truly authentic Janacekian concentration and ardour was not in the air: what we heard was in no way a counterfeit, but a good reproduction, in *clear and vivid colour,* whose expressive edges were somehow slightly blurred.

The Gabrieli's trio were joined in the second half by the double-bass of Adrian Beers and the pianist Wolfgang Manz for Schubert's Trout Quintet, and for the kind of chamber performance whose flavour is the most difficult of all to convey in print. *Entirely* capable, admirable in its fashion, well made, cleanly projected, but never, in any measure, wholly airborne or wholly gripping. The difference is vital, but so impalpable that one puts it down to atmospheric pressure, or alchemy, or the stars.

Kronos Quartet /ICA

Paul Driver

The Kronos string quartet, based in San Francisco, visited London on Sunday night as part of their English tour (which includes a residency at Dartington Summer School), to take part in the four-event MusICA series of new musical performances chosen by Adrian Jack. Their programme was deliberately diverse: quartets by West German, American, Korean and South African composers were played, extermely wide stylistic reference was made.

I was unlucky enough to miss Wolfgang Rihm's seventh quartet, but came in for La Monte Young's early, surprising *Five Small Pieces* — written during the '50s under the clear influence of Webern; delicate, quite euphonious, rather watery miniatures. Before the next work, Mel Graves's *Pangaea*, was an extensive retuning session; it sounded as though the players were setting up elaborate *scordaturas*. When the piece finally began, it was not with string sounds, but those of two sets of chimes, shaken by the second violin and the viola player.

Then the cellist launched an attractive, repetitive "system": viola, second and first violins entered successively to build up a very pleasant, glinting effect. Soon the kaleidoscope of musical games was turned slightly — things started up again with a little cello phrase of snappy jazz. In all, Asia, the West and East coasts of America, and perhaps Vienna (another section sounded vaguely serial or "advanced") were visited by the piece (whose original title was appropriately "Crossroads Affair") which eventually dissolved into Dada: three members of the quartet fiddling with singing or whirring percussion toys while the cellist played a drone; the first violin at one point got up, walked across the platform, grasped the end of a string and noiselessly swung a sort of cardboard fish.

Whatever one thought of the piece, one could not deny it was performed with extraordinary skill: I particularly admired the cellist, Joan Jeanrenaud's bowing arm and determined enthusiasm. Like the Arditti Quartet in this country, the Kronos devotes itself exclusively to new music, and the results, technically and expressively, are liabel to be equally impressive.

However I was left untouched by their fourth item, Jin Hi Kim's *Linking*—another boring reclamation for Western ears of Asian microtonal and evanescent noises. *In fact, during it,* my attention was entirely fixed on the Kronos's costumes. In the first half they wore sci-fi, black and slinky suits with padded shoulders: now they had removed them to display skin-tight T-shirts, slashed with colour, worn underneath. The group seemed like a back-projection from the future on a laser beam.

Clothes-philosophy was happily dispelled by Kevin Volans's *White Man Sleeps*—his masterly arrangement for quartet of his African source music which has previously been heard at the ICA in a version for harpsichords, percussion and viola da gamba. The four dances were ravishing and radiantly simple, dynamic of rhythm, assuaging of utterance. One of them—for viola melody and accompanying pizzicati was hypnotically catchy; another resembled the American hoe-down (folk music all over the world is similar); while the opening improbably resembled that of Tippett's second string quartet. The Kronos's performance was caring, and totally compelling.

Wiener Blut/Berlin

Ronald Holloway

On the way in to the Theater des Westens violins on loudspeakers hint of a relaxed evening bathed in the waltz traditions of *Wiener Blut*. But take a seat in this splendid operetta house, and the orchestra is nowhere to be found: instead of the strings, six pianos occupy the stage. A swinging-door exit to the back indicates that the merriment is off in a neighbouring room. Herbert Wernicke, following his experimental approach to Carl Maria von Weber's *Oberon* earlier this year in the Deutsche Oper Berlin, has revolutionised the Johann Strauss operetta to such an extent that the public has been split down the middle between angered traditionalists and enthusiastic music lovers who like their evenings out challenging and full of surprises.

This outlandish plot is about philandering during the Vienna Congress of 1814-15 and when Graf Balduin appears in dinner-jacket and with a leer in his eye, he immediately takes to cavorting around the pianos like an aged faun in romantic distress. The ladies, finding themselves pursued a mite beyond the discreet, coyly try to maintain their dignity in spite of the entire structure of the operetta being turned upside-down. Clocks tick away the minutes above each of the pianos, as though the setting was a railway-station instead of a *diplomat's villa. The tick-tock* as a subconscious musical refrain becomes assimilated in the performance when suddenly the merriment gives way to a stylised Dance of Death.

The production is packed with inventive musical metaphors. To begin with, stage director and set designer Herbert Wernicke and music arranger Uli Harmssen transcribed the entire score for six concert pianists. Instead of three acts, the operetta has been whittled down to a single sit-in performance — and this in an atmosphere of red-light bulbs, as though the audience was spending an evening in a fashionable bordello. Visually the garden-party of the *finale* simply doesn't exist.

Wiener Blut is a teaser. There's an aura of the absurd throughout. Plump Pepi Pleiniger, a mannequin stuffed into a seam-splitting ballet costume, fends off an admirer by climbing on to a grand piano while, almost impossibly, carrying a tune at the same time. The pianos are covered with white shrouds to symbolise the arcades in the garden-park scene, an artistic plug in all likelihood for Christo's ongoing effort in Berlin to package the Reichstag. On one occasion, as everybody makes for the back door, a traffic bottleneck reminds this viewer of the cabin sequence in the Marx Brothers' *A Night at the Opera*. Witold Gombrowicz's *Operette* appears to receive another genial tip-of-the-hat; these gifted singers and performers love trampling on worn out traditions.

Just as this madcap farce on Strauss' operetta and waltz music is about to wind down to a standstill, the cast find themselves onstage without a pianist in sight. So they individually take to plunking out tunes on the Bechsteins in search of the right one — until someone in the audience gets aggravated enough to yell out: "Weiner Blut!" And on comes the lusty finale. Indeed, even audience response — pro and contra — has been fitted into the overall directorial concept.

Queen/Wembley Stadium

Antony Thorncroft

Some things never change — rain at Wembley on a Saturday night and a Queen concert, for starters. Not that the torrential downpour disturbed the band's performance: they are into dramatic stage gestures. I expect they paid the heavens handsomely for the special effect.

For the rest, we had seen this, heard that. The puffs of smoke heralding the band's arrival; the explosions which rock the stage after the first song; the serried ranks of lights which pepper the performers; the strips of neon on either side of the set which flash fitfully; the sound and the fury of a great deal of money, all to enable Freddie Mercury, the exotic bloom of the quartet, to indulge his taste for camp theatricals.

He still does it splendidly. He prowls the catwalk above the stage like a short leave sailor and threatens dire consequences with his mike stand; he strips down to his celebrated uniform—that of the RAF drill sergeant that he so closely resembles, all white singlet and bulging muscles—to huge applause; he sells himself cheaply to the audience, especially the fanatics at the front (the other 80,000-odd packing the stadium got little attention).

The rest of Queen get on with supplying the music which is now a pastiche of pop covering fifteen years, everything from snatches of Elvis Presley to the excesses of pomp-rock, still represented by "Bohemian Rhapsody." Brian May is allowed an extended guitar solo in which he is very clever at conjuring up an echo and creatively banal, but in the main they look stoical, as Mercury describes them as "four ageing Queens" and vow never to split up.

And why should they? By being many things to most people they have vast appeal, and although it is hard to avoid the feeling that they are going through the motions as they tour the world with their spectacular box of aural and visual tricks, they certainly deliver. Their recent songs like "It's a kind of magic" are as competent as earlier efforts like the ridiculous "Seven seas of Rhye." Given the genius of pop music to keep its favourite sons ageless — Mercury is 39 now—I see no reason why another vast crowd should not be wet but happy at Wembley in 1996.

Beer boost for jazz

Schlitz, the American beer, is to give British jazz a boost with a £200,000 sponsorship of *Schlitz Jazz Sounds '86*—open to all jazz musicians between the age of 18-30.

This national competition will go the demo-tape route for bands with up to a maximum of seven performers. The demo tape must run for no longer than 15 minutes.

Prizes will include £2,000 worth of equipment from F D & H Music; £500 expenses for all bands in the final; a trip to the US with Virgin Atlantic, plus a demo recording in Virgin Studios.

The judging panel will listen to all tapes submitted no later than the closing date of August 15. The panel will select 27 bands to take part in nine regional finals, which will take place in September and October. The nine regional winners will travel to London to compete for the five places in the BBC 2 televised final.

The competition is being organised by Jazz Services in conjunction with Eastern Jazz, Jazz South, Jazz South West, Platform, Jazz Central and the Welsh Jazz Society. Entry forms for budding, not yet discovered or established bands, can be obtained from Jazz Services, 5 Dryden Street, London WC2E 9NW.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 11-17

Opera and Ballet

VIENNA

Strauss' Wiener Blut and Mozart's Die Entführung aus dem Serail. Every day except Sunday at the Schönbrunn Palace Theatre (82 48 90). Die Fledermaus. Volksoper (42 800/20 85). (Wed).

LONDON

Royal Opera, Covent Garden: the now rather aged and shabby John Copley production of Così fan tutte comes back for an end-of-term run, with Gabriele Ferro as conductor and an oddly mixed cast including newcomers Karita Mattila, Anne Sofie von Otter, John Aler, and the veteran Walter Berry. Further performances of the new Fidelio, Colin Davis's last conducting assignment as Royal Opera musical director, with Elizabeth Connell, James King, Hartmut Welker and Gwynne Howell.

Coliseum, St Martin's Lane: The Dance Theatre of Harlem continues its season until Saturday. From Monday London Festival Ballet opens with Ashton's Romeo and Juliet, and on Wednesday Natalia Makarova joins the company for one gala performance of Cranko's Onegin.

ITALY

Milan: Teatro alla Scala: Bellini's La Sonnambula conducted by Gianandrea Gavazzeni with Luciana Serra, Patricia Pace and Rosaldo Giaiotti (Fri); and with Lucia Aliberti, Miriam Gauci and Giorgio Surjan (Sat). Production by Ermanno Olmi, with scenery and costumes by Mauro Pagano. (80 91 26).

Rome: Terme di Caracalla: Rome Opera's summer season opens with Donizetti's Lucia di Lammermoor, conducted by Friedrich Haider and directed by Alberto Fassini. Edita Gruberova sings the title role, with Juan Pons and Alberto Cupido; scenery and costumes by William Orlandi. (Sun, Wed). (46 17 55).

Spoleto: (29th two worlds festival) Teatro Romano: International Opera production co-ordinated by Vittoria Ottolenghi and Alberto Testa, in two sections: Dance is Man and The Art of the Partner. (Fri, Sat). (4 02 65). Teatro Nuovo: Gian Carlo Menotti's Opera, The Saint of Bleecker Street, conducted by Tsiman Barto and directed by the composer (Sat). (4 02 65).

WEST GERMANY

Cologne, Opera: the last performance this season will be The Marriage of Figaro, with Janice Hall, Andreas Andonian and Claudio Nicolai in the cast.

Stuttgart, Württembergisches Staatstheater: Viva la mamma stars Hildegard Uhrmacher and Wolfgang Probst. In the repertory also is Niccolò Jommelli's Fetonte, produced by Axel Manthey.

München, Bayerische Staatsoper: Munich's annual opera festival runs from July 7 to July 31. The second week of performances start with Don Giovanni starring Cheryl Studer, Trudeliese Schmidt, Kurt Moll and Francisco Araiza. Other productions are La Forza del Destino with Mara Zampieri, Marjana Lipovsek, Wolfgang Brendel and Kurt Moll, and Le Nozze di Figaro, with Delores Ziegler, Helen Donath, Cornelia Wulkopf, Thomas Allen, Hermann Prey and Kurt Moll. [illegible], produced by Jean-Pierre Ponnelle: This revival brings Helga Dernesch, Doris Soffel and Bodo Brinkmann together. One evening is reserved for Tchaikovsky's ballet Swan Lake, choreographed by Peter Wright, and on Sunday morning Brigitte Fassbaender is giving a Schumann and Mahler lieder recital.

NEW YORK

Paris Opera Ballet (Metropolitan Opera House): Rudolf Nureyev leads the company's 10-day visit with a repertory of his new Swan Lake in its American premiere along with Maurice Bejart's Arepo, Serge Lifar's Les Mirages, and Pierre Lacotte's Lully, a recreation of ballet in the court of Louis XIV. Lincoln Center (362 6000).

New York City Opera (NY State Theater) 20 weeks of summer opera including new productions of Werther, Don Quichotte, The New Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X) continues with The Pearl Fishers and the Marriage of Figaro. (870 5600). Lincoln Center.

WASHINGTON

Ballet Nacional d'Espana (Opera House): Mixed repertory in the five-day visit of this distinguished company. Ends July 20. Kennedy Center (254 3770).

Saleroom/Antony Thorncroft

The warrior survives

An archaic Greek bronze statuette of a warrior, made around 540 BC, and one of only a dozen that are known to have survived, sold for £52,800 at Sotheby's yesterday, at the low end of its estimate. The statuette, just over 6 inches high, is missing its hands which would have held a spear and a shield.

It is unusual in having surfaced in a remote part of southern Arabia where it was bought, cheaply, in 1949, by the father of the vendor. How it got so far remains a mystery. In all the auction totalled £621,368 with almost 30 per cent unsold. A separate section of Islamic glass fared even worse, totalling £9,185, with two thirds of the sale unsold.

Robin Symes, the London dealer, paid £46,200 for a 1st century BC Hellenistic bronze figure of Eros, springing forward on one leg. A set of nine identical late Antique silver spoons, made in the Eastern Mediterranean in the 7th century AD, were just on target at £20,350. They contain Christian monograms and may have been used at special religious festivals.

An Assyrian gypsum panel from a relief dating to the 7th century BC, perhaps from the wall of an Assyrian palace, trebled its estimate at £28,600; it shows warriors in action. An Apulian vase by the Darius Painter of the 4th century BC, covered with figures, did well at £8,000, as did an Egyptian bronze figure of a Horus hawk, of around 550 BC, which trebled its estimate at £20,900. The main casualty was a Roman marble over-life-size torso of Apollo, of around 100 BC, which was bought in at £20,000.

Phillips hammered out the Henley Festival at the weekend by holding an auction of traditional river craft in the Stewards Enclosure. The vessels ranged from punts to motor boats and brought in £114,370, with 23 per cent unsold. It was the first sale of its kind.

The top price of £18,000 was paid for "Lady Sophina," a 35ft launch built in 1923. It comes with accommodation and, as the catalogue says, "has cruised many times to Lechlade." "The Knight Errant," perhaps the only slipper stern boat with a full length cabin ever built (it dates from 1934), realised £10,000 while "The Jersey Lily," a 22ft paddle steam launch built in 1984 sold for £8,000; it came with road trailer. "Pip," a 1910 motor launch, fetched £8,000.

A William and Mary walnut and marquetry longcase clock by William Jourdain sold for £9,180 at Christie's and a silver-cased pocket chronometer by John Arnold, dated 1973, did well at £8,640.

FINANCIAL TIMES

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Tuesday July 15 1986

UK role in Star Wars

AS A prelude to addressing a conference on international participation in the US Strategic Defence Initiative in Brussels today Lt Gen James Abrahamson, the director of the programme, has been talking with the UK Defence Ministry on progress in bringing British technology-based companies into the project. Under an agreement signed between the US and UK Governments last December, UK concerns have the chance to bid for potentially lucrative contracts under the programme, popularly called Star Wars, which is due to spend up to $30bn by the early 1990s in devising a space-based shield to defend the West from nuclear attack.

Progress on UK collaboration since December has been far from promising. So far, British companies and government establishments have received Star Wars contracts worth about $15m, a far cry from the $1.5bn that Mr Michael Heseltine, the former UK Defence Secretary, was talking about last summer and also from the "hundreds of millions of dollars" which Gen Abrahamson himself mentioned during a visit to Britain in February.

The UK contracts are mostly for theoretical studies in technologies such as computing and sensors where British scientists have particular expertise. These studies, which cost relatively little and employ few people, could conceivably lead to awards to UK concerns for the procurement of hardware such as computer systems in the later stages of the research programme. For this type of work, the cash sums would be much larger.

Technical thrusts

The possibilities of this sequence of events taking place in any significant way, and so leading to large-scale contracts for Britain, are looking more and more remote. The budget for Star Wars is coming under increased pressure in the US Congress. The Reagan Administration appears unlikely to obtain more than about $3.9bn for the anti-missile project for the year beginning in October, compared with the $5.4bn which is has requested.

Furthermore, the longer the Star Wars project goes on without UK concerns gaining a foothold, the harder it will be for them to build up enough momentum to obtain substantial contracts in later years. Many of the important decisions about the direction of the programme have already been taken. Teams from US aerospace and defence companies have been working on the main technical thrusts for a couple of years. They are bound to be in a better position to win the significant contracts than UK groups which are becoming acquainted with the nuances of the programme relatively late.

Were it not for the high expectations of UK involvement in Star Wars which both Whitehall and the US Defence Department have encouraged, the current state of affairs would not be surprising. British concerns were always going to find it difficult to break into a programme whose centre is 8,000 miles away in Los Angeles, the focal point of the US defence systems industry.

Procurement policy

More realistically, however, the UK Government may have only itself to blame. Ministers should take a hard look at the motives which caused them to sign last December's agreement in the first place. On the face of it, the US won implicit political support for its controversial programme by getting a major ally to agree on participation in the research. The UK, as events have turned out, gained relatively little in return.

It is questionable whether British concerns would be in a worse position to win future contracts if the intergovernmental understanding had never been signed. This is especially true as the lion's share of any future deals are likely to place UK concerns as junior partners in subcontracting deals with US industry, arrangements in which only minimal government involvement appears necessary.

The talks over Star Wars collaboration have, for the most part, underestimated the problems and oversold the potential benefits. The endless meetings over the project between US and British officials have led to few useful results other than to give Whitehall an insight into the complexities of US military procurement policy and to hand airlines operating transatlantic routes a bonus in ticket sales. It might have been better, when it came for discussions over UK-US Star Wars collaboration, if the British Government had stayed on the sidelines.

A step backwards in the Gulf

AMONG THE conservative monarchies of the Gulf, Kuwait has promoted and cherished its reputation as the most politically and socially enlightened of those newly-rich oil-producing nations. Unlike other members of the Gulf Co-operation Council—Saudi Arabia, Bahrain, Qatar, United Arab Emirates and Oman—it had generously opened its doors to tens of thousands of displaced Palestinians. It remains the only one of the six to have a resident Soviet Ambassador. Its Fund of Future Generations ensured that a fixed percentage of oil revenues was invested for the benefit of the nation once the oil flow ceased. But most important of all, it led in opening the way to popular participation in Government through the part-elected National Assembly and through its liberal press laws which allowed a range of lively and varied local newspapers.

The ruling al-Sabah family appeared to appreciate the inevitability that economic affluence and vastly improved educational facilities had created demands by members of the public for a constitutional role in the policies and administration of the nation.

The decision by Sheikh al-Ahmed al Sabah, the Emir of Kuwait, to suspend the National Assembly and impose press censorship is therefore a double blow. Not only does it curtail the possibilities for Kuwaitis to share in the process of government, but it will be used as a pretext by others not to embark on similar experiments.

Serious sabotage

The justification has been that there was a lack of co-operation between the legislature and the executive, and that the twin pressures of the neighbouring Gulf war and the collapse in the price of oil created a situation which could only be answered by a period of direct rule.

Undoubtedly, by the standards of the Gulf, the National Assembly was unco-operative. It challenged ministers to explain their actions and sought to highlight areas of incompetence and suspected self-interest. These objectives were pursued with such vigour that the National Assembly became, what many Kuwaiti's thought that it was supposed to be, a focus for national debate.

Ministers did after all have a lot to answer for and to explain. The collapse of the Souk al-Manakh secondary stock market in 1982, which left behind it a trail of post-dated cheques with a face value of more than $90bn, was a spectacular case of official mismanagement the effects of which are still plaguing the country's financial stability.

In the past six months the war between Iraq and Iran has been edging closer to the borders of Kuwait, to the extent that the sound of the heaviest explosions could be heard in the city centre.

Standard bearer

With oil prices now dipping below $10 a barrel, it is understandable that the authorities are becoming more anxious about military and economic threats to the well-being of the nation. But it is far more questionable whether the answer to those problems is to exclude an equally concerned public from responding to the challenges.

The Emir has pledged that the suspension of the National Assembly is only temporary—it was previously suspended for four years from 1976—but such is the political and economic malaise throughout the Arab world that few advocates of a democratic system are optimistic about its early reintroduction.

For the foreseeable future the Gulf will be without a standard bearer for democratic experiment. This absence will lend weight to those, both inside and outside the Arab community, who argue that the ruling families are fundamentally incapable of sharing power and that they have failed appreciate the social impact caused by the last two decades of affluence. The best answer to that criticism will be for the Emir of Kuwait to live up to his pledge to restore the National Assembly and Press freedoms as rapidly as possible.

Alan Cane looks at prospects for the world's software industry

Now Europe may be ready to strike back

THE STOCKBROKERS gathered a few days ago in the smart London offices of CAP, one of the UK's few computer software houses with a full Stock Exchange listing, were worried and needed urgent reassurance.

Was the UK software industry really about to be wiped out by its overseas competitors? they wanted to know.

Their immediate cause for concern was the publication late last month of a scathing report* on British software from the Advisory Council for Applied Research and Development (Acard), a Cabinet Office body with a wide-ranging brief to investigate and comment on UK technology.

The report listed numerous apparent weaknesses in the UK software business and went on to predict its imminent decline: "If the UK industry does not more vigorously compete in the world market, encouraged by government action," it warned, "then within 10 years only Ministry of Defence supported firms will remain."

There is no question that software—the lists of instructions which when converted into electronic impulses control the operation of every computer and computing device—is a major key to success in information technology. Failure to master software problems can damage a company badly.

ITT, for example, which last week agreed to merge its telecommunications interests with those of Compagnie Generale d'Electricité of France, proved unable to adapt the software controlling its innovative System 12 digital telephone exchange to the US market. That failure was a major factor in the decisions leading to the merger.

The Acard report provoked lurid headlines in some UK newspapers and concern among Government ministers, including Mr Paul Channon, the Secretary of State for Trade and Industry.

The UK software industry, however, reacted to the report with disbelief, outrage and anger, condemning it as confused, simplistic and just plain wrong.

Mr John Ockendon, president of the Computing Services Association (CSA), the industry trade organisation, observed drily in a note to the Department of Trade and Industry: "It has united all the companies in the UK software industry in their resolve to correct this wrong impression before it damages the business confidence of our customers and our shareholders at home and overseas."

On the face of things, it is difficult to understand why the industry should have felt so affronted.

The most casual glance at such statistics as there are show that the entire European data processing industry is dominated by software of US origin, from the control programs (operating systems) used by mainframe computers manufactured by US giants like IBM and Honeywell, to the spreadsheets and word processing software developed by Lotus and Micropro for personal computers.

Analysis of the trade statistics is peculiarly complex because of the nature of software, but it is likely that 70 per cent of all software used in Europe is of US origin.

Indeed, although the Acard criticisms were aimed strictly at the UK software business, its analysis and conclusions could have been applied to the whole of Europe.

Dr Douglas Eyelons, director general of both the UK and the European computing services associations, got to the heart of the dispute: "The Acard committee," he said, "has confused the European software market with the European software industry."

The paradox is that while the European software market is dominated by the US and there is little hope of ever reversing that position, there is at the same time a strong, competitive and competent European software industry which believes itself quite able to take on the Americans at their own game and beat them.

The 266 companies which make up the UK CSA alone had combined annual revenues of over £1.4bn in 1985 and were expanding at an average growth rate of over 20 per cent a year.

Revenues in 1985 of the largest European companies like France's CAP-Gemini-Sogeti ($247m) or the UK's Scicon International ($143m), easily match the top US independents Lotus Development ($225m) and Cullinet ($182m).

This paradox, which is at the heart of the question of European competitiveness in world software markets, turns on the diversity and complexity of the software business.

Software is not a seamless web, but a heterogeneous collection of computer programs of different types, created for different purposes, manufactured in different ways and marketed through a diversity of outlets.

LEADING WEST EUROPEAN SOFTWARE COMPANIES*

Vendor	Country	1985 Worldwide Revenue† $m	Ownership
Cap Gemini Sogeti	France	247.3	Public company
Scicon International**	UK	143.4	British Petroleum
GSI	France	139.1	Alcatel Electronique
Sema Metra	France	128.6	Public company
Datev	WG	121.8	Tax Advisers Co-op
CISI	France	102.1	CEA/BNP (nuclear power authority)
SESA	France	96.2	CGE/Management
Thorn EMI***	UK	94.1	Public company
CCMC	France	90.3	Private/Management/Public
Volmac	Netherlands	84.3	Private company
SG2	France	80.8	Societe Generale
Sligos	France	79.9	Credit Lyonnais/McDonnell Douglas
Logica	UK	67.2	Public company
Telesystemes	France	65.3	PTT
SDL	UK	64.2	Public company

* Figures refer to revenues derived from pure software and service activities, and exclude captive revenues. ** Includes SC division in the US. *** Includes Datasolve and Software Sciences. † Computer service revenues

Source: International Data Corporation.

A large and valuable segment of this market, worth perhaps $3bn of the $10bn spent on software in Europe last year, is virtually closed to software companies because it is in the province of the computer manufacturers themselves.

This is "systems software," software written to manage and control the operations of the computer itself. They are known by acronyms like IBM's MVS/XA or ICL's VME which mean a lot to the programmers who have to work with them and very little to everybody else.

They are large, complex and vastly expensive to produce. Once manufacturers gave them away free. As the margins in hardware eroded they started to charge for it — and the price went up each year. Ian Mackintosh, a well-regarded industry analyst notes in a book published last week† "About a quarter of the total software business currently resides with the hardware manufacturers themselves, and as software costs increase inexorably, this will probably rise to at least 50 per cent."

"If the UK industry does not more vigorously compete in the world market . . . then within 10 years only MoD-supported firms will remain"

Acard report, June 1986

So a large and growing part of the overall market is simply not available to Europe's independent software companies. And no amount of coercion from governments will take them into head-on competition with the hardware manufacturers.

Cost is one factor. ICL's VME may be, as managing director Peter Bonfield claims, the best operating software in the world, but it cost the company over 10 years some 3,000 man years in development costs, not including machine time.

Commercial sense is another. Mr Michel Berty, general secretary of CAP-Gemini-Sogeti (CGS), Europe's most successful software house, says he would have no interest in writing systems software in competition with IBM: "We consider IBM as a partner and a client, not a competitor."

The rest of the market, worth some $7bn in Europe last year, is made up of software of two kinds — packaged and custom (specially written).

US software houses are past masters at packaged software, generalised programs which can be used across a wide spectrum of businesses as long as the customer is prepared to bend his business practice to suit the package rather than the other way around.

The success of packaged software is a direct result of the high cost of writing and developing computer programs. A large company seeking a major suite of programs for, say, stock control or personnel records, would not expect much change out of $250,000 if written from scratch.

A stock control package, however, written once and sold across several sites might cost only $80,000 or so.

Packaged software proved ideally suited to the comparatively homogeneous US business scene. That massive home market has been the secret of the success of companies like Lotus, Microsoft, Management Science America, Cullinet, and McCormack & Dodge. The US home market is equal to 50 per cent of the world market for packaged software.

It is Europe's failure to make much of a showing in the international packaged software market that so upsets its critics. But, denied the size and homogeneity of the US market, European software houses have concentrated on writing customised software for their clients, both at home and abroad.

That has been the secret of their survival. The commentators who predicted the imminent decline of the custom software business were confounded. Mr Philip Hughes, chairman of the UK software company Logica, told the Royal Society recently: "The role of a custom software company shows no sign of declining. Far from it. The commentators, in making their forecasts, may have misunderstood the real role of this kind of company. It uses packages as and when appropriate and increasingly uses system kernels."

In other words, European software houses had learned not to re-invent the wheel each time they wrote a custom system. A system kernel is a module, a pre-written piece of software which can be incorporated in many programs to carry out common tasks.

The Europeans over the years have become particularly adept at linking modules together in different patterns to persuade their customers they are getting something unique.

To draw a crude analogy, the customer may be getting a suit from a multiple tailor, but the hand-stitching on the lapel convinces him he is getting something special.

The packages versus custom software turns on this point. Although the packages market continues to grow, there are signs both in the US and Europe that the rate of growth is slackening, especially where the very large packages are concerned.

Mr John Ockendon, of the UK CSA, noted: "The software product market is not now growing at the high rates it experienced in the early 1980s . . . many of the American software product companies are in difficulties and further resistance to the use of packages is expected in what the Americans are currently describing as "the industry slow down."

This is at least partly because the major companies which are the prime customers for large packaged software are becoming increasingly knowledgeable about information technology.

They are looking for competitive advantage from their data processing and are no longer content simply to have the same system as the competition down the road. They want something special and are prepared to pay for it.

This need to be different is well understood by European companies. CGS, for example, has never had any interest in the packages market: "France is a country where we have 1,414 different kinds of water tap," says Mr Berty with a shrug.

Furthermore, it is becoming cheaper and easier to write this module-based, semi-custom software as a result of the new availability of computer programs which write computer programs — from so-called fourth generation languages and systems building tools.

So, to some extent, the European approach to software has been vindicated. But the industry has no cause for complacency.

European software companies have done well servicing national needs but they remain a collection of small, entrepreneurial groups without a true international presence or direction. They find it difficult to sink their differences in the coherent strategy to achieve the economies of scale necessary to take on the Americans.

Some favour stiff penalties on software imported from outside the Common Market: "a tariff barrier from Turkey to Murmansk" as one put it. "Penalise any software where 'colour' is spelt 'color'."

There are even arguments over whether European companies should slug it out with the Americans on their home territory. Some see US success as critical, others as mere machismo.

There is agreement, however, that Europe as a total market is equivalent in size to the US and that the EEC and individual governments should be doing their best to encourage the development of pan-European software packages aimed at areas such as transportation and distribution.

There is also agreement that the enormous purchasing power of the European governments should be directed more effectively towards the indigenous software industry. The French set the example here — and the French industry is the strongest in Europe.

There is a desire — and this is an old UK complaint — for more government contracts let out-of-house to independent software houses rather than managed in-house by government software teams.

These measures, it is said, would strengthen the position of companies like CGS and GSI of France, and Scicon, CAP and Logica of the UK, which are already able to compete internationally. CGS, for example, while it denies it is dependent on government work, benefited enormously from winning prime contractor status on the French telephone authorities' electronic telephone directory project.

Breaking into the US, a massively expensive endeavour, is another story.

There have been many attempts and many failures. Finding a local "champion" has proved the most successful route. CAP-Gemini-Sogeti took over the US companies DASD and OGA Computer Corporation.

But such ventures are best tackled from a position of strength rather than weakness. And enlightened government procurement is seen as the key to that strength.

* Software: A vital key to UK competitiveness. HMSO 1986.
† Sunrise Europe Blackwell 1986 £17.50.

Men and Matters

People Express in a spin

People Express, or "People Distress" as the cut-price US airline is sometimes jokingly referred to, gives the impression of being run on a shoe-string.

Its founder, Don Burr, aged 45, earns only $89,500 a year. The pilots sometimes load the baggage. On a crowded day People's terminal at Newark airport, New York, resembles a human zoo.

Nevertheless, the airline sports a very impressive board of directors for such an operation. Bill Hambrecht, aged 51, president of Hambrecht and Quist, the west coast investment bank, helped bring People Express to the stock market when it had just three planes. He continues to play a key role behind the scenes.

Citicorp, parent of America's biggest bank, has had a seat on the board of People Express from the beginning. It is represented by David Thomas, aged 37, a senior investment manager at Citicorp Venture Capital. Recently the board has been strengthened by the addition of Charles Phillips, aged 37, a managing director of Morgan Stanley, and John MacArthur, aged 52, dean of Harvard Business School.

Given the stature of the five-man board it is hard to understand why the company has been allowed to fly into such a financial storm. It lost $58m in the first quarter, and its second quarter results are expected to look bad.

People Express's headlong expansion culminating in the recent spate of acquisitions, has left it with a net worth of $150m supporting long-term debt of over $600m. That is pretty aggressive even for the US airline industry. People Express shares have slumped from a peak of $25 in 1983 to under $7 last week, valuing the airline at $174m.

There have been serious differences of opinion inside People Express's boardroom in recent months. While most members of the board wanted to turn it into a profitable regional carrier, Don Burr wanted it to be a major national airline.

Recently after three days of board meetings the airline announced the sale of its recently-acquired Frontier Airlines subsidiary at a knock-down price of $146m to United Airlines, in a desperate bid to raise some cash to meet its interest payments—which are close to $250,000 a day.

The move indicates that the rest of the board is beginning to make its views felt on the entrepreneurial Burr. Meanwhile, People Express's abrupt changes in strategy over the past year have left its customers bewildered, and made some business school gurus who have been hailing the airline as "the most interesting company in America" shut up abruptly.

"In my day they used to exchange batons in the relay not passports"

Toryble rowers

Our valuable editorial secretary Jackie Shorey confesses to being badly bruised.

She used to pull a noble oar in a London University eight. Now she has been squeezed into a boat as a supernumerary to coach a crew of House of Commons secretaries and their cox in preparation for The Speaker's Summer Regatta, to be held on the Thames outside the Houses of Parliament tomorrow.

The Commons secretaries' team is in the betting as Amanuensis ("One who writes from dictation"). They are confident of rowing strongly enough to dictate to many of their masters.

Members of Parliament, and all those walk-on players who keep the democratic system going—office staff, policemen, journalists, lobbyists, fixers, and influencers—are giving tremendous support to this summer diversion planned by Mr Speaker Bernard Weatherill.

About 100 boats will take part sponsored for £1,000 apiece. The money is to go towards restoring and cleaning Parliament's own church, St Margaret's, Westminster.

The Parliamentary clerks have a boat suitably called Obfuscata. The smart political money is attracted by a possible needle match between Los Enfanty Torybles and the All Party Paddlers. A straight contest between Drys and Wets.

Suicidal sets

It sounds like the end of the road for the car radio/cassette thief.

Trevor Taylor, managing director of Austin Rover, has disclosed that the company is running trials of new Philips units which should be the ultimate deterrent against theft.

Why?

"Simple," says Taylor "take 'em out and they self-destruct . . ."

Let me hasten to reassure you that there is no risk of exploding Metros or Montegos making the rolling English road an even more dangerous place to be.

What actually happens is that unauthorised removal of the radio leads to contacts being broken, which scrambles a code within the unit—"thus rendering it inoperative" as the experts put it.

Steel's appeal

Martin Llowarch, aged 50, who will become chief executive of British Steel in August, has an impeccable Welsh ancestry although he was born in the Midlands.

It was in South Wales, as financial controller of the strip products group—one of the two big BSC groupings—that the former Coopers and Lybrand accountant proved himself a potential candidate for the number two job to BSC's steelmaker chairman Bob Scholey.

Under Llowarch's operational control BSC will not be able to afford to bask even briefly in the sunshine of its recent return to profit for the first time in 10 years.

He says, "As the steel business moves towards freer markets and the quota-free days dawn we must get our marketing strategies right and work out all the aspects of customer need."

Llowarch joined the corporation in 1968 and was heavily involved in international affairs in his early years.

Not until BSC is financially secure can the government's target of ultimate privatisation be attempted. Llowarch was not prepared yesterday to speculate on when that might be.

Double Dutch

A reader with a Dutch double-barrelled name was too impatient to repeat it for every member of his family when booking a Greek package tour. He wrote "ditto" in the spaces provided.

His daughters were not amused to find themselves travelling as the Misses Ditto.

Observer

THE PROPOSITION 13 TAX REVOLT

California counts the cost

IF THE current vogue for tax-cutting in industrialised nations started anywhere it was in California in 1978. The state's Proposition 13, with its deep cuts in property taxes and a permanent limit on future increases, was the trigger for a wave of popular tax revolts across the US.

The mood it encapsulated took Ronald Reagan to the White House two years later, and was a key factor in creating the political climate which allowed him to introduce deep reductions in federal taxes.

Now, eight years on there are signs that California is becoming uneasy with the legacy of "Prop. 13" and the string of other measures to curb taxes and spending which at the time won overwhelming public support in a series of referendum votes.

Decaying inner cities, peopled by a growing army of homeless, a widespread perception that the public schools system has fallen into crisis, lack of maintenance for the once-superb roads network, shabby parks and closed libraries have cooled the tax-cutting fervour.

Howard Jarvis started the tax revolution; now there is a backlash against deteriorating services

Businessmen and officials in President Reagan's home state are beginning to question how much longer its deteriorating physical and social infrastructure can survive the immense pressures generated by a combination of tight spending limits, federal aid cutbacks and a rapidly-expanding population of often-poor immigrants.

The pendulum has not swung fully back by any means. Political leaders in this, the most-abrasively capitalist region of the world, still regard public discussion of significant tax increases as taboo—particularly ahead of this November's state elections. The Proposition 13 provision limiting property taxes to 1 per cent of assessed values is written in stone.

The coalition of right-wing political activists, businessmen and middle-class taxpayers which sparked the original revolt, however, now looks less cohesive.

Public concern over the school system, unrepaired roads, and rising crime has raised the possibility at least that, once the elections are over, politicians will consider increases in those taxes which escaped the rigid limits of Proposition 13.

The scale of the decline in public services is startling. California's economy, long among the richest and most dynamic in the US, has since the 1982 recession continued to flourish relative to the rest of the country. In contrast, the standards of many of its public services have plummeted from near the top of the national league to below the average.

The state now spends less than the national average on education and, according to Mr John Vasconcellos, a Democratic leader in the Sacramento state assembly, class sizes are the largest of any mainland state. Despite its huge and brilliantly-engineered highway system, California's spending on roads has also fallen to near the bottom of the national league.

"The cost (of Proposition 13) is a state unable to sustain itself," says Mr Vasconcellos, who is chairman of the assembly's powerful Ways and Means Committee. "It saddens, worries and embarrasses me."

The impact is particularly vivid in Los Angeles, a sprawling conurbation with a population of 8m or so, swollen every week by thousands of new immigrants, many of them poor and jobless "illegals" from Mexico.

The number of people living on the streets, put at 35,000 in 1984, is the largest of any city in the US. About half of Los Angeles's 6,000 miles of roads are overdue for repair. Subsidised medical care for the poor has been cut back dramatically. The community college system, a pioneering attempt to provide universal tertiary education, is crumbling.

Mr Keith Comrie, the City's chief administrative officer, is pessimistic about the prospects for improvements. "When you can't adjust your taxes to any extent you just ride with the economy. It has cut out all ability to do anything like long-range planning," he says. Mr Comrie is bitter about the city's inability to aid its poorest citizens: "A civilised society should also be responsible for the people who are not competitive. We are only as good as how we treat our weakest link."

Overall, there has certainly been no supply-side miracle here, nor any spontaneous resurgence of the private sector to provide the services previously administered by state and city governments. Lower taxes have simply meant poorer public provision.

Ironically, Proposition 13 has also weakened local democracy by increasing the dependence of local authorities on the state government, which in the immediate aftermath of the measure used its huge accumulated financial surplus to bail out city and county authorities. That surplus lasted only three years and the state's budget has been effectively frozen in real terms since 1981, despite an estimated increase of close to 20 per cent in California's population, including illegal immigrants.

It will face a further crunch next year when spending will reach a ceiling imposed by votes in 1979, with the passage of what is known as Proposition 4. This prohibits all increases in spending over and above those needed to keep up with inflation and population growth. The problem is that the US consumer price index, which was fixed as the guideline for inflation, has risen much more slowly than prices for the state's purchases, so the theoretical allowance for population growth has vanished.

"The index (used in Proposition 4) would never allow the state to maintain the same level of services over time," Mr John Vickerman, a senior legislative analyst for the state assembly, comments. In other words, budgeting in California has now become a zero-sum game. Any improvement in one service must be paid for by cuts in another.

Mr George Deukmejian, the Republican state Governor, insists that California will have to abide by the limit, focusing on selecting the right priorities within the budget rather than increasing overall spending.

But as business faces the prospect of further cutbacks in highway and other capital allocations, some of its leaders are becoming restless. The California Taxpayers' Association, which lobbies on behalf of industry and commerce, was a strong supporter of Proposition 4. Now Mr Richard Simpson, its executive vice president, voices concern over the outlook for public investment and talks of the need for "pragmatism."

None of this persuades Mr Howard Jarvis, the driving force behind Proposition 13 and still at age 83 a fierce campaigner for even less government. Waste in local government, he insists, "is thrown up like confetti. It is endemic", and Proposition 13 "is as near to perfection as any law in the US."

For many others, however, the tax-cutting experiment has stifled rather than nurtured the pioneering spirit which set California apart from the rest of the US.

California, says Mr Vasconcellos, "is a state with the richest array of human, economic, and scientific resources in the world," but one which is threatened by policies that are "mean-spirited and counter-productive."

Philip Stephens

OIL PRICES

Not yet at rock bottom

By Max Wilkinson, Resources Editor

ONLY SIX months ago oilmen were sagely telling each other that the price of a barrel might fall as low as $20.

Now after a few wild lurches in the spring oil is down to half that level—its lowest for 12 years. Many people now believe it could head into that uncharted territory where prices genuinely hold the ring between supply and demand.

After allowing for inflation, the fall in spot oil prices from $30 a barrel in November to $10 now is almost exactly equal and opposite to the rise during the first oil crisis in the winter of 1973-74.

However, the recent turmoil in the oil markets is not just a reverse re-run of the events 12½ years ago, when the Organisation of Petroleum Exporting Countries first shook the world economy with the power of its cartel.

One of the main differences has been the extraordinarily wide swings in the oil price in recent weeks, apparently for rather slender reasons. Since the first week in April when the spot price for Brent crude first touched $10 a barrel, oil prices have risen and fallen by as much as 50 per cent.

Perhaps more important—at least for the oil industry—is the fact that prices have now crossed the Micawber line (between $10 and $15 a barrel) which marks the division between absolute misery and survival for those oil companies which borrowed and invested on the expectation of rising or at least stable prices.

Even the major oil companies like Shell, Exxon and British Petroleum would be in a highly uncomfortable position if $10 a barrel were to emerge as an average rather than a "floor" for oil prices. In their scramble to readjust to a world of lower prices in the spring few oil companies or their bankers gave much thought to the consequences of a price lower than $15. For companies with high borrowings and a dependence on exploration and production, the figure represented the mouth of a cavern into which they scarcely dared peer.

So when the price dipped below $10 on April 1, many in the industry regarded it as a temporary market overreaction to Opec's latest failure to agree a credible regime of production cuts. This view seemed to be supported by the rebound to around $15 by the beginning of May.

Now the mood has changed again. As one executive of a major oil company put it: "We have seen that it is very unlikely that Opec will be able to reach agreement, so there is going to be steady downward pressure on prices as a result of the over-supply of crude. I'm pessimistic. I don't see why prices shouldn't go down to $5, at least for a while. That is about the level where a significant number of producers might shut-in production. And prices as low as that would help stimulate demand."

A more theoretical analysis by one of the other oil majors has suggested that in conditions of "free fall" (in the absence of political constraints), prices would go down to about $5 before eventually recovering.

In current dollar terms $5 a barrel is about equal to the average price during the two decades of stability after the War, when the seven major oil companies were operating an informal cartel to prevent prices from rising.

However, a more immediate influence on the price is the desperate desire of many Gulf producers to maintain their revenues while prices are falling. This explains the significant increases in production this summer by several countries, particularly Iran, Iraq and the United Arab Emirates.

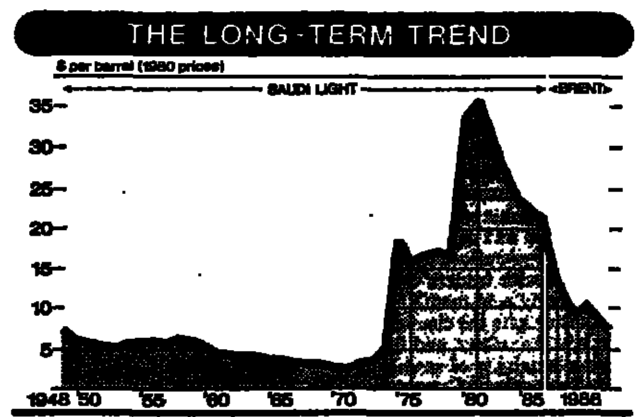
Mr Joe Stanislaw, oil analyst for the US consultant, Cambridge Energy Research Associates, says that after allowing for the desire of some companies to stock up with cheap oil, Opec production of about 19.5m barrels a day is now running at about 1m b/d above demand. Much of this oil is on the high seas, heading towards Europe in the hope of finding a buyer.

The recent downward spiral in prices has also been helped by the now substantial volume of netback deals which account for at least 6m b/d of crude or about a third of the world's traded volume. Although these deals are varied and complex, the common feature is that the price paid to producers is linked to the price realised for refined products, with an agreed margin for the refiner.

Since refineries have a strong interest in maintaining output in order to reduce unit costs, the price of refined products has been under strong pressure. The European spot price for cargoes of premium petrol, for example, had fallen last week to 30 per cent below the average in April and May. This fall will in turn be depressing the crude prices determined by netback formulae.

Where will this process end? The refining operations of oil companies benefit in the short run from lower crude prices, since prices charged to customers take some time to fall in line. However, the experience of recent months shows that in the US and Europe competitive forces will prevent oil companies from recouping their losses from the sales of crude oil in the product market.

Indeed, Mr Clifton Garvin, chairman of Exxon, said in London recently that he believed the fundamental driving force for downstream profits was the availability of crude



Deflated by US consumer price index

There may be a limit therefore, to the extent to which oil companies are prepared to cut each others' throats in the interest of gaining market share. In the UK petrol market there has recently been a strong attempt by the major companies to regroup their forces to stabilise prices. However, it is by no means clear that they will succeed in the face of falling spot prices for petrol

It seems unlikely that oil companies can do much to brake the slide in prices so long as Opec producers continue to pump out more oil than the consumers need. The key question, therefore, is whether the cartel can be reformed at its meeting in Geneva at the end of the month or perhaps at yet another meeting after that.

Opinions are divided. Some believe that dissension between the militant Opec group (Iran, Iraq and Libya) and the others led by Saudi Arabia and Kuwait is still too great to be bridged. But others observe acutely that the "pain threshold" in terms of lost revenues has now almost been reached. On this view, Saudi Arabia's decision to boost production to about 5.5m b/d in recent weeks—about 1m b/d more than its official quota—is a deliberate attempt to force home the lesson that in Opec no man is an island and none wins a war for market share.

The Saudis and Kuwait have now made it clear that if they do regain control of the oil market they will push prices up only gently to the $15 to $20 range.

In this price range oil companies would breath more easily and might therefore tacitly co-operate in stabilising prices. Moreover a price of about $18 a barrel would ease the worries of Western strategists who fear that too low a price will kill off exploration and conservation and so prepare the way for a highly disruptive rebound in prices in a few years' time. Once stability returned, non-Opec producers might be prepared to co-operate in production restraint to a greater extent than they think it prudent to advertise in advance.

Such a price level might not satisfy Iran, but it must be obvious that 2m barrels a day at $18 will buy more guns than 2.4m b/d at $9 a barrel. Although the question of a differential quota with Kuwait remains unsolved, the penalty for both sides in not solving it has been increasing daily.

For the time being at least, the oil market shows little confidence that the Saudi strategy will succeed this summer. However, if prices were to halve again, as seems possible, the pressures for agreement would probably be overwhelming. As one US oil man said: "If you hit a donkey over the head nine times, you may finally get his attention."

Letters to the Editor

Competition and costs

From Dr E. Goldberger.

Sir,—It is regrettable that in a departure from his customary constructive and instructive contributions Samuel Brittan (July 7) gave the impression that rising profits were as much to be blamed for reduced competitiveness as labour costs. By focusing on a supposed balance between profits and labour costs he distracts from the crucial issue of the huge discrepancy between our and other main economies' (whose profits profile is not dissimilar) *unit labour costs* in manufacturing.

The same Bank of England Bulletin from which Mr Brittan reproduced a chart also states — and deplores — that earnings in manufacturing have risen by 8 per cent in the first quarter 1986 and unit labour costs by 8½ per cent. The latter compare with 0 to 2 per cent in US, Japan, Germany and France.

He appears to be fairly satisfied that UK output prices are now rising by only 4½ per cent against 5½ per cent in 1985, but omits to say that input prices had fallen by 8½ per cent in May 1986 after −7.1 per cent in January 1986 and +1½ per cent in January 1985. This "improvement" in output prices at 4½ per cent, compares with US's −2½ per cent, Germany's −2 per cent and Japan's −9 per cent.

The Chancellor, the Bank of England and Sir Terence Beckett of the CBI are trying to highlight this very dangerous situation. It is astonishing that the consequences are not shouted from all rooftops and hammered home by the media.

Through the usually short-sighted opposition of the trades unions and widespread complacency of management our manufacturing industries are becoming uncompetitive — and some sections may already be so.

Earnings rises and unit labour cost, so considerably in excess of competitors', will not just reduce essential for employment growth. They may lead us into recession. Instead of stimulating employment by moderation they will cause more unemployment. They are now the principal engine of higher inflation in 1987. Can devaluation be then avoided? The markets are not so blind.

(Dr) Edmund Goldberger.
20 Albion Gate, W2.

Exchange control

From Mr L. Jackson

Sir,—Mr Guscott's proposal (July 7) that the Government should reimpose controls on investment abroad, with a promise to remove them if re-elected, is ingenious but not well thought out.

It would simply bring forward the grisly day when Labour (if elected) starts to penalise investors abroad to fund its national investment bank. It would be taken by foreign holders of sterling as a crisis signal. Nothing much affects sterling at present but this would. A sterling slide would inevitably push interest rates sky-high. And — in the absence of a Labour Government — why forego the repatriated profits of the many British companies abroad unnecessarily?

Apart from the fact that the UK would be in breach of Community rules on freedom of capital movements, outflows are to some extent offset by large inward investments in the UK by American, German, French, Japanese and other companies. These are outflows from the countries concerned, which might react adversely to sharply-reduced UK investment. As to personal portfolio investments abroad, it is inconceivable that workable exchange controls could be devised for these alone.

As John McEnroe said to the umpire, I have to say to Mr Guscott — "You cannot be serious!"

Leonard A. Jackson.
Stable Cottage,
Speldhurst Road,
Langton Green, Kent.

Urban development corporations

From Mr M. Horne

Sir,—Your article (July 7) on Nicolas Ridley's proposals to set up more urban development corporations contains the statement "Local councils lose all their control over areas designated as UDCs" and you expressed a similar view in your leader on July 8. This may be an accurate comment on what has actually happened in the case of London docklands and Merseyside, but it is not correct to suggest that it would necessarily be the case in any future UDC designation.

The Local Government Planning and Land Act enables the Environment Secretary to set up urban development corporations with very wide ranging powers, it also enables him to limit those powers in any way that he considers appropriate over either the whole of the designated urban development area or in certain parts of it. So the Act actually provides a great deal of flexibility in the way that UDCs might operate. Each one which might be set up could have its powers limited or extended according to the particular circumstances of the location for which it is responsible and in agreement with the local authority(s) within whose areas that location falls.

I believe that it is the flexibility which the Act allows which is an important attraction in making further use of urban development corporation powers and if this were made clear then it might lead to a more receptive attitude on the part of some local authorities who are presently not keen on the idea in spite of the immense inner city problems with which they are trying to cope.

Martin R. Horne.
The Old Rectory, Acton Scott,
Church Stretton, Shropshire.

BP and its US nettle

From Mr H. Warman

Sir, — In his article of July 9 William Hall attributes the start of BP's involvement with Standard Oil of Ohio to the fact that it "stumbled upon one of the biggest oilfields in the world under Prudhoe Bay on Alaska's North Slope."

Apart from the fact that the Prudhoe Bay field is essentially onshore and not under Prudhoe Bay and also that it is not one of the world's largest oilfields, the statement does less than justice to a technical management that backed an assessment in the early 1950s that Alaska offered a possibility of being one of the areas that could contribute to its need to replace its loss of reserve base due to the Mossadeq eviction from Iran.

The statement does even less justice to a team of oil explorers who worked in Alaska from the late fifties until the discovery of Prudhoe Bay field a decade later under conditions that could with some degree of understatement be described as more onerous and more demanding than drawing a few graphs of Sohio's performance based on published figures and speculating on the fairly obvious effects of movements in oil prices.

I write as one who has stumbled on and stumbled over oil fields but to hear the efforts of a dedicated team of professionals who worked only too often under conditions of exceptional difficulty, not to mention frequently working at considerable risk to life and limb, described in such derisory terms confirms my long held opinion of our present crop of media oil experts.

I am tempted to quote a few other stumblings by BP but isn't it enough to point out that working from a UK base it pre-empted the genuine might of the US oil industry in finding the largest oilfield in the US?

Whatever problems BP may have brought upon itself by its handling of Sohio would it not be a little kinder to give credit where it is due?

H. R. Warman,
64 Lancaster Avenue,
Hadley Wood,
Barnet, Herts.

European air fares

From Mr A. Lucking

Sir,—Mr Colin Marshall (July 12) underlines British Airways' support for a more liberal *régime in Europe. One area* where success has been achieved already is in awarding discounts to passengers with inter-continental tickets, benefiting around 40 per cent of those flying from London into Europe. BA carries around 3m such per annum, and if the consequent reduction in yield averages £20-£25, the amount involved is commensurate with the *airline's 1984-85 European operat*ing surplus of £83.4m. So profits are being transferred out of Europe, where the heat is on, while the Atlantic figures benefit markedly.

A few years ago, the European airlines published figures showing aggregated losses on the routes under 400 km, caused by these intercontinental "pro-rating" discounts, and on the routes over 1800 km, because the "anti-charter" fares are too low. On these long routes, 83.7 per cent of the tickets were discounted.

The key fact is that to maximise profits, the European routes are best exploited as a "come on" for the long haul networks. Yet from the viewpoint of our European business communications, the intercontinental passengers should yield the full applicable local fare, which could then be reduced for all.

A. J. Lucking.
20 Broad Court,
Bow St, WC2

Immobile Sterling in the City

From Mr N. Purchase

Sir,—I have just seen my first taken down Rover Sterling of the season (immobile outside the Mansion House). Is this a cuckoo?

Nigel Purchase.
... Woodberry Down,
...ying, Essex.

FINANCIAL TIMES
Tuesday July 15 1986

Peter Bruce looks at Bonn's poor performance despite healthy books

Europe's power pack struggles to grow

WHY WON'T West Germany's economy grow faster? Prices are falling and inflation has, officially, not existed for the past three months. The country is heading for an embarrassing record trade surplus of DM 110bn ($50.3bn) this year, and the Government's own books have seldom been healthier. The West German economy is supposed to be Western Europe's power pack, but it will probably grow by a meagre 2.5 per cent this year.

For the opposition Social Democrats (SPD), fixated for the past two years by record unemployment figures and cowed by the Government's success with inflation, the economy's failure to stand up straight this year has come as a welcome bonus before next January's general elections.

The poor performance so far – given that the right conditions for growth, as far as the Government is concerned, are in place – has also made it less likely than ever that Bonn will agree to use its huge external surpluses to stimulate growth at home (and, naturally, imports) and act as a locomotive to the world economy. What growth exists may be a far more delicate flower than the Government is letting on.

All the evidence is that the failure of the economy to react with more vigour to falling prices has taken the Government aback. Only last month, Mr Otto Slecht, state secretary in the Economics Ministry, and a man of unbridled optimism, was talking of growth of 3.5 per cent this year.

The fact that gross national product fell 1 per cent in the first three months of this year, from the final quarter in 1985, is written off by the Government as an aberration. The weather was bad, runs the excuse.

Outside of government, however, the sceptics are having a field day. The Deutsche Institut für Wirtschaftsforschung (DIW), one of the country's five leading economic institutes, says in its latest report that the maximum growth Chancellor Helmut Kohl can expect this year is 2.5 per cent.

The less adventurous Westdeutsche Landesbank has also said recently that the more conventional target, 3 per cent, is probably also no longer achievable, and the prestigious IFO Institute in Munich is now forecasting growth of between 2.5 and 3 per cent, a full point down on its stand of a few months ago.

The DIW, warning that it is not good enough to blame the weather for the poor start to the year, says: "The economy of the Federal Republic in mid-year finds itself in a transition phase between a short-term, though unexpectedly strong, breakdown in growth and a new economic revival."

Far more important, it says, the economy was badly hit by weaknesses in its developing country export markets, particularly those in the Middle East, where falling oil prices led to orders being lost or cancelled.

Not even that sounds convincing, and the DIW is unable to resist alluding, as the Government always does, to the better things, the "revival", that must inevitably come.

The conditions for growth are there, the institute argues, and have remained constant despite the poor start: exports are still growing, though perhaps not as fast as 1984 and last year, the price of oil is unlikely to change dramatically, domestic money supply growth is being maintained at the top of the Bundesbank's target range – some 6 per cent – interest rates, at around 6 per cent, are stable, and the 1986 wage round ended with reasonable settlement of around 4 per cent. So what is the problem?

The difficulty seems to be that although export growth is flattening out, as expected, the domestic market is not taking up the slack fast enough. "The hoped-for transition from the export-led economy up to autumn 1985 to one dominated by domestic growth has not happened," the DIW, says.

Exports made up more than a third of total GNP early in the year, well above total investment, at around 20 per cent of GNP. For the moment, the Government and economists comfort themselves with forecasts of a 10 per cent rise in capital investment in West Germany this year. But the same optimism appeared last year, when this spending actually fell.

It is unlikely that 1985 will repeat itself as dramatically, but the Government, it seems, may be reckoning without the perversity of its electorate. Has the success of Mr Gerhard Stoltenberg, the Finance minister, in fighting inflation dulled the senses?

It may just be possible that corporations faced with major spending decisions, and private consumers faced with slightly smaller ones, are saying to themselves that if prices are indeed falling, would it not be better to wait awhile until investment becomes even cheaper?

A surge in domestic spending, promised now for more than a year, might actually require a slight bump in inflation's downward curve to spark it off.

There are, of course, voices calling for calm – 2.5 per cent in 1986 is perfectly respectable, they say. It has also become fashionable to argue that the country is lucky to have got so far into an economic recovery without having had to rely yet on the domestic market.

The Government, once so bullish, is bound to be slightly embarrassed about the delay in growth, if only for reasons of ego. It can take a lot of comfort, however, from the fact that the SPD is itself locked in a battle over what economic policies to present to the electorate early next year.

The opposition is broadly in favour of job-creating policies, but the leadership is facing a strong challenge from the left to be much more precise and to agree to restoring the state's share of GNP to 50 per cent, which it was when the SPD last ran the country.

Thatcher and Howe to visit Moscow

By Robert Mauthner in London

MRS Margaret Thatcher, the UK Prime Minister, has accepted an invitation to visit the Soviet Union, it was announced yesterday following talks in London between Mrs Thatcher and Mr Eduard Shevardnadze, the Soviet Foreign Minister. The date of the visit will be arranged later.

The talks, which lasted more than two hours and followed a three-hour meeting between Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Shevardnadze, marked the end of a long freeze in Anglo-Soviet relations.

British officials, who described the talks between Mrs Thatcher and Mr Shevardnadze as "business-like," said it was clear that relations between the two countries were now "fully operational" after last year's setbacks. The main setback was the tit-for-tat expulsions of diplomatic staff and journalists in October last year, which were initiated by Britain but reciprocated by Moscow.

Mr Shevardnadze handed to the Prime Minister a message from Mr Mikhail Gorbachev, the Soviet leader, on current arms control issues, the contents of which have not been disclosed, and to which Mrs Thatcher will be reply in due course.

Sir Geoffrey has also accepted an invitation to visit the Soviet Union next year, and his discussions with Mr Shevardnadze were described as "very relaxed and constructive."

While both meetings focused on arms control problems, they also covered the whole range of bilateral and East-West relations.

Sir Geoffrey and Mr Shevardnadze agreed that contacts between Britain and the Soviet Union, both at ministerial and official level, should be organised on a more regular basis. In particular, experts from the two countries will shortly meet to discuss ways of combatting international terrorism.

It was also agreed that a special tripartite conference bringing together government officials, academics and other experts from Britain, the Soviet Union and the US should be organised in the near future to discuss economic and industrial co-operation in the 1990s.

Sir Geoffrey and Mr Tim Renton, Minister of State at the Foreign Office, told Mr Shevardnadze that the British Government attached the highest priority to the conclusion of a chemical weapons agreement.

Nixon in Moscow, Page 3

Thatcher hopeful on sanctions fight as games boycott grows

BY PETER RIDDELL AND PHILIP BASSETT IN LONDON

MRS MARGARET THATCHER, the UK Prime Minister, believes she has succeeded in winning the argument against the imposition of general economic sanctions against South Africa and in therefore scaling down expectations ahead of the Commonwealth leaders' summit in London early next month.

This is despite the clear disagreement with her views, and the belief in the inevitability of sanctions, expressed not only by Commonwealth leaders like Mr Brian Mulroney, the Canadian Prime Minister, but also by senior members of Britain's ruling Conservative Party.

There was also growing evidence yesterday that more nations, probably including India, would join the boycott by some black African states of the Commonwealth Games in Edinburgh, Scotland, next week unless Mrs Thatcher accepts the need for sanctions.

As a leader of the non-aligned world, India, if it decided to stay away from Edinburgh, would deal a severe psychological blow to the games and to Commonwealth unity.

In an attempt to put further pressure on the UK Government to impose sanctions, Britain's Trades Union Congress (TUC) yesterday called on all its 9.5m affiliated trade unionists to boycott South African-produced consumer goods.

Some senior Conservatives, including Foreign Office ministers, are hoping for a softening of Mrs Thatcher's tone when she answers

Margaret Thatcher

questions in the House of Commons today.

Sir Geoffrey Howe, UK Foreign Secretary, may make a Commons statement today about his visit last week, as president of the EEC Council, to black African states. He is to speak in the debate tomorrow on South Africa initiated by the opposition Labour Party.

Mrs Thatcher's allies argue that her recent diplomatic efforts had been intended to clarify and shift the terms of the international debate towards a concentration on special measures rather than punitive sanctions.

Several senior Tories believe, however, that the Prime Minister's strong condemnation of general sanctions as immoral has blurred the distinction with special measures and isolated her politically.

Party managers are worried that Mrs Thatcher's blunt words have raised expectations among the Tory rightwing that she will not agree to measures against South Africa. There could therefore be divisions within the parliamentary party if such action had to be taken.

The TUC's move, announced at a special briefing conference in London for its 89 affiliated unions, comes in advance of a delegation to South Africa later this week headed by Mr Norman Willis, TUC general secretary, and Mr Ron Todd, chairman of its international committee.

Mr Willis said he was hopeful that union members would respond to the TUC call for a consumer boycott. "There is a good case to do so, whether it is a £1bn investment or the food used in company canteens."

The TUC intends to step up its advertising campaign on South Africa, which has so far cost more than £20,000, and it is to make a fresh call for funds from affiliated unions.

Strong opposition to the imposition of sanctions came yesterday from Sir Leslie Smith, chairman of the British Industry Committee on South Africa. He told MPs at Westminster that sanctions would "leak like a sieve."

The best way of encouraging political change in South Africa was, in his view, by increasing black standards of living, skills and education.

Mixed response to strike call, Page 4

Eta car bomb kills 8 in Madrid

Continued from Page 1

haven zone for Spanish Basques of the Eta organisation.

The decision to expel Mr Iturbe to the former French West African colony of Gabon was a break with precedent for he was the holder of a refugee card since fleeing across the border to France in 1968.

It underlined, however, the clear commitment of the French Government to rid itself of Eta suspects. In the past 2½ years, 36 Eta members who were living clandestinely in south-west France have been deported to a series of locations, including Ecuador, Panama, Togo and the Cape Verde Islands.

Mr Iturbe's deportation was strongly criticised in Basque nationalist circles over the weekend, for the charismatic Basque separatist was held as the sole Eta leader capable of negotiating an end to Basque terrorism with the Madrid authorities.

Members of the radical Basque party Herri Batasuna, which acts as Eta's political front and which returned five Congressmen to the Madrid parliament in last month's elections, claimed that Mr Iturbe's expulsion had closed all avenues towards a settlement in the long-standing Eta problem.

The bomb blast yesterday appeared likely to harden opinions in political circles against Eta.

Mr Felipe Gonzalez, whose Socialist party won an outright majority in the June polls and who will certainly be selected by the King to serve a second term as Prime Minister, is now likely to place the eradication of Eta high on his list of priorities when he makes a scheduled investiture speech next week.

Mitterrand will not sign decree

Continued from Page 1

ing their global market share.

But the Government has also incorporated a type of "golden share" arrangement to protect control over five years in sensitive, oil, armaments and electronics groups.

Attempting to limit further the access that foreign groups would have to French companies, Mr Mitterrand took as his justification the recent ruling of the Constitutional Council France's highest legal body – which said that privatisation must ensure that "national independence is preserved."

President Mitterrand asserted yesterday that on this basis he was not satisfied the decree provided sufficient guarantees "that what belongs to the nation would remain in French hands." He pointed, in particular, to the vulnerability of French companies to the acquisition of their shares by other EEC concerns.

Mr Mitterrand said he wanted to see the guarantees written into a law approved by parliament. "It is up to the Parliament to shoulder its responsibilities," he said. He also made clear that he wanted the other major point on which the Constitutional Council insisted – that nationalised groups should not be sold off below the value determined by an independent commission – also included in the law.

His remarks did not suggest he was ready to negotiate over the wording of the decree.

Until now Mr Chirac's timetable had been to have the signing of the privatisation decree this week followed by the fresh appointment or reconfirmation of the heads of nationalised groups by the end of the month. The first privatisation was to have been launched in September.

The privatisation law will now have to go back to the National Assembly – if Mr Chirac chooses this course – at a moment when deputies and senators were hoping to escape for the month of August. Putting a brave face on it yesterday, Mr Alain Madelin, the Industry Minister, said that a text could be put through parliament in three weeks, a delay most observers judge optimistic.

Drafting fresh legislation to incorporate Mr Mitterrand's point over foreign control would be difficult because it could run counter to EEC law which bans discrimination in share dealing. At the same time it would establish two types of private companies in France – those into which foreigners could buy and those which had been privatised and in which foreigners' stakes would be indefinitely limited.

But Mr Mitterrand acknowledged that he would be obliged to sign a law that was presented to him in a similar form as the present decree.

London shares and £ tumble

Continued from Page 1

the current account into deficit before the end of 1986.

The UK Government expects a gradual depreciation of sterling, and an increase in the general level of world trade, resulting from the stimulus of lower oil prices, to offset this deficit in future years, but investors have become more concerned about how long it will take before these effects become apparent.

In addition, some City of London economists have become worried that the Government may have to increase its borrowing to make up for the loss of petroleum tax receipts as a result of lower oil prices, and fear that Mr Lawson's scope for cutting taxes in his 1987 budget may now be constrained.

Mr Stephen Lewis, chief economist at London broker Phillips & Drew, said: "The weakness in sterling and gilt-edged prices seems set to persist as long as the view holds sway in foreign exchanges that the UK authorities are not averse to a further decline in the UK currency."

Sterling closed in London at DM 3.2275, down 6½ pfennigs from Friday, and at $1.4815, a loss of more than 2¼ cents. The dollar weakened yesterday, dropping nearly 1 pfennig to DM 2.1795. Against the Japanese currency it fell more than Y1 to Y160.25.

UK gilt-edged securities fell by up to 2 points, and the FT Ordinary share index dropped 27.4 to 1,309.9. The broader FT-SE 100 share index dipped 29.1 to 1,597.3.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	24	75	Dubrovnik	F	28	82	Malta	S	28	82	Rhodes	S	27	81
Algiers	C	23	73	Edinburgh	C	21	70	Manchester	C	19	66	Rio de J'o	S	28	82
Amsterdam	C	20	68	Faro	S	27	81	Manila	R	32	90	Rome	R	18	64
Athens	S	31	88	Florence	F	24	75	Melbourne	S	14	57	Salzburg	F	18	64
Bahrain	S	36	97	Frankfurt	S	19	66	Mexico City	R	24	75	San Francisco	F	19	66
Bangkok	S	33	91	Funchal	F	21	70	Miami	C	29	84	Seoul	S	28	82
Barcelona	S	24	75	Geneva	S	19	66	Milan	C	20	68	Singapore	R	28	82
Beirut	S	28	82	Gibraltar	S	25	77	Montreal	R	18	64	Stockholm	C	16	61
Belfast	C	20	68	Glasgow	C	18	64	Moscow	C	16	61	Strasbourg	S	20	68
Belgrade	F	19	66	Guernsey	Fg	16	61	Munich	F	17	63	Sydney	S	17	63
Berlin	F	17	63	Helsinki	F	18	64	Nairobi	F	24	75	Taipei	S	34	93
Biarritz	C	22	72	H. Kong	C	28	82	Naples	R	28	82	Tangier	–	–	–
Bombay	C	29	84	Innsbruck	S	29	84	Nassau	C	32	90	Tel Aviv	S	29	84
Bordeaux	F	24	75	Inverness	F	21	70	New Delhi	F	34	93	Tenerife	S	26	79
Brussels	C	18	64	Islamabad	S	38	101	New York	S	22	72	Tokyo	S	28	82
Budapest	F	23	73	Istanbul	S	29	84	Nice	T	25	77	Toronto	C	28	82
B. Aires	C	15	59	Jakarta	C	30	86	Nicosia	S	37	99	Tunis	F	27	81
Cairo	S	32	90	Jersey	Fg	15	59	Oporto	S	28	82	Valencia	S	29	84
Cape Town	R	15	59	Jo'burg	S	19	66	Oslo	F	22	72	Venice	C	21	70
Caracas	R	26	79	Lima	C	18	64	Paris	C	20	68	Vienna	F	20	68
Casablanca	–	–	–	Lisbon	S	30	86	Peking	S	33	91	Warsaw	C	15	59
Chicago	C	29	84	London	C	22	72	Prague	F	17	63	Washington	F	24	75
Cologne	F	18	64	Los Angeles	C	31	88	Reykjavik	R	10	50	Zurich	S	18	64
Copenhagen	C	20	68	Luxembourg	F	17	63								
Corfu	S	30	86	Madrid	S	26	79								
Dallas	F	23	73	Majorca	F	28	82								
Dublin	C	22	72	Malaga	S	26	79								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Craxi snubs Andreotti

Continued from Page 1

seized upon by Rome politicians, who warned of the dangers of a deal between Mr Andreotti and the Communists.

Mr Andreotti's mission was given a slim chance of success last night as two of the smaller parties in the five-party coalition – the Liberals and Social Democrats repeated that they would not join a government without the Socialists.

The government crisis hit the Milan bourse yesterday, where the main share index fell by 3.23 per cent, bringing the decline since last Friday morning to 5.5 per cent.

Analysts in Milan pointed out that the stability of the five-party government led by Mr Craxi over the past three years had helped the private sector to grow and to reduce dependence upon costly bank loans by replacing them with equity capital from the bourse. "The irony of this situation is that the bourse favours Craxi," said a leading stockbroker.

Mr Andreotti continues his consultations with political leaders this morning and has summoned representatives of Italy's big three trade unions to a meeting tomorrow.

If the Andreotti mission fails, as seems possible, the prospect of early general elections will increase, well ahead of the end of the present parliament in 1988.

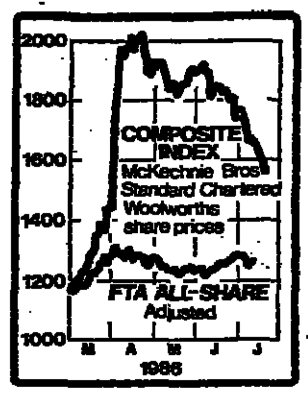
THE LEX COLUMN

Oil in the day's work

The petrocurrency theory of sterling has taken a bit of a battering this year, in what should have been its apotheosis. So yesterday's combination of a sliding crude oil price followed by a mini-collapse in sterling, gilts and equities may have caused sentimental traders to wipe the odd nostalgic tear from the eye. Not that the shudder across the markets compares with the hysteria of 1985 when the unscheduled departure of an oil minister from the Opec conference table and the awful prospect of $25 a barrel oil caused the UK Government to put up interest rates by 4 points.

More likely, the petrocurrency disease never lost its virulence, but was only obscured by the simultaneous correction to a heavily overbought dollar. During the oil price drop to $10 a barrel in the first quarter, sterling did indeed lose ground heavily to the yen and the D-Mark. This time, as the oil price has fallen from $14 to below $9, the pound has suffered a relapse against the dollar too – thus recreating, in the gilt-futures market at least, something of the feel of an old fashioned sterling crisis.

The weakness of equities yesterday seemed almost unrelated to the oil factor. The oil sector yesterday was notable for its resilience, with Shell shares actually rising. Perhaps dealers were reckoning on the old trick in which UK oil companies' earnings and dividends are protected from demolition by the appreciation of the dollar against sterling. They should know that, while at $30 a barrel it took a 5c shift in the sterling dollar rate to compensate for a $1 oil price fall, at $10 a barrel, the companies need a 12c depreciation to protect against the same fall in the oil price. And with sellers of August Brent at $8.85 unable to find a buyer yesterday, the recovery to $14 in May recalls the adage that just because a cat bounces up five floors after falling off a skyscraper, it does not mean it is alive.



BHP

As befits a business facing the threat of dismemberment, BHP is looking for a fourth arm. Whether BHP is in a position to choose which arm to add to its oil, mineral and steel limbs is quite another matter: it is hard to see BHP achieving the agreement of either Bell Resources or Elders to an acquisition except on their individual and, presumably, contradictory terms. For the moment the market is expecting the most likely outcome will be a bid by BHP for Elders very much on Mr Elliott's terms: Elders share price has risen 10 per cent against a falling market in the last week. The whiff of a solution to an intolerably unstable situation makes BHP's unaided results a somewhat academic study. For the record, BHP earned A$988m for the year to May, or a bit below the directors' forecast before the catastrophic fourth quarter on the oil side, and could probably make A$850m this year with a bit of help from a falling currency.

Hongkong Land

It is hard to know what to make of yesterday's statement from Hongkong Land. The mooted demerger of Dairy Farm, one of the largest food manufacturing and retailing businesses in the Far East, is not very odd in itself or in terms of Land's recent history of debt reduction through asset disposals. But the coincident resignation of a chief executive universally credited with Land's recovery is strange.

Having recovered to the point where asset values and net debt are receding from each other towards a 2:1 ratio, the sale of Dairy Farm looks less like a sage 15 per cent debt-reduction exercise and more like the renunciation of valuable cash flow without which Land would have been truly stuck a year or so back. If the hotels, too, are sold or demerged as remains possible, Land will contract into a vulnerable investment trust whose assets consist of bits of island colony about to change hands.

Were Dairy Farm sold to shareholders at book value of HK$1bn, the goodwill accrual to them would be spectacular: Dairy Farm earned around $365m before tax in 1985 and is growing at a rate to justify a double-figure multiple. It was not at all surprising that Land's London share price was trading yesterday at a premium to the Hong Kong closing – and even less so that Jardine Matheson and Jardine Securities, speaking for about 35 per cent of Land's equity, were up there too.

Having suffered miseries from its cross-holding in Land, Jardine now seems intent to make it all up. It has reduced the risk of a back-door takeover by transferring half of the Land cross-holding at a discount to Jardine Securities and now looks set to pick up a direct interest in Land's international operations, when its own have been doing none too well. Perhaps this distressed Land's chief executive and perhaps not.

Post-bid blues

One of the most obvious ploys of any bidder in the last days of an offer is to warn its victim's shareholders that the value of their shares will fall if the takeover fails. A bidder may be willing to pay a certain price for control of a company which would not be justified in the secondary market without the bid. Investors who refuse to be bamboozled into accepting or selling through the market to the offerer are implicitly agreeing to suffer that penalty. A singular facet of Standard Chartered's defence against the 875p offer from Lloyds Bank is that so few remained to face the music: the 57p fall yesterday to 718p shows why.

But in most cases, loyalists will still be better off than they were prior to the bid or, in these speculative days, before the rumour which preceded the bid. The offer can draw attention to assets undervalued by the market, and the defence may include profit and dividend forecasts exceeding earlier market estimates justifying a higher share price; though the market's current failure to capitalise the earnings and dividend growth proffered in mid-bid by Woolworth is a cautionary example.

SECTION III

FINANCIAL TIMES SURVEY

Vans and Light Trucks

Japanese makers have made big inroads in the US and Europe, selling pick-up trucks as substitute cars and light vans alongside those of local makers. Home and export markets alike are affected since there is little overall growth in demand.

Hard lessons from the car market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPANESE PRODUCERS, having crushed the competition in tne Far East, are now threatening to make a clean sweep in the light commercial vehicle markets worldwide.

They have made major inroads in the US, capitalising on the huge demand there for pick-up trucks which are mainly used as substitutes for cars.

They have captured nearly 20 per cent of Western Europe's light commercial vehicle sales and by 1990 could be accounting for 40 per cent, according to some informed commentators.

As Mr Carl Hahn, chairman of Volkswagen-Audi, told an American audience recently: "The Japanese industry is awesome in its depth and its strength, not all of which appears in our journals. For example, we hear much of additional passenger car sales in the US, but we hear very little of the Japanese manufacture and importation of compact pick-up trucks — trucks which are sold as, and most often used as, passenger cars.

Ms Marayann Keller, one of the foremost US commentators on the automotive industry and a vice-president of research at Furman Selz Mager Kietz and Birney, has also been attempting to draw attention to this aspect of the Japanese threat.

"While everyone's attention has been focused on Japanese penetration of automobiles, Japanese vehicle manufacturers have been slowly but deliberately entering new segments of the lightweight truck market," she points out.

"Just as the Japanese successfully have fragmented the subcompact and compact car markets in the US, they are about to do the same thing in lightweight trucks.

"Currently lightweight trucks are very profitable for US automakers. However, it will be impossible to maintain sales volume and margins if the Japanese fracture the truck market with so many styles and models as they did in cars."

Helped by the attack on the lightweight truck markets of North America and Western Europe, total Japanese commercial vehicle output rose to record levels last year, by 5.3 per cent from the 1984 output to 4.62m units. Exports of commercials grew even faster, by 7.8 per cent to 2.3m, another record.

The value to the Japanese is tremendous. Light commercial vehicles share many components with cars and are often produced on the same assembly lines. Their production allows the high cost of engines, transmissions, axles, floorpans and so on to be spread across a much higher output than for cars alone.

Light commercial vehicles can be sold and serviced adequately by car dealers and can be used to give dealers something to sell in those many markets worldwide where protectionism makes the Japanese wary about taking their penetration of car markets too far.

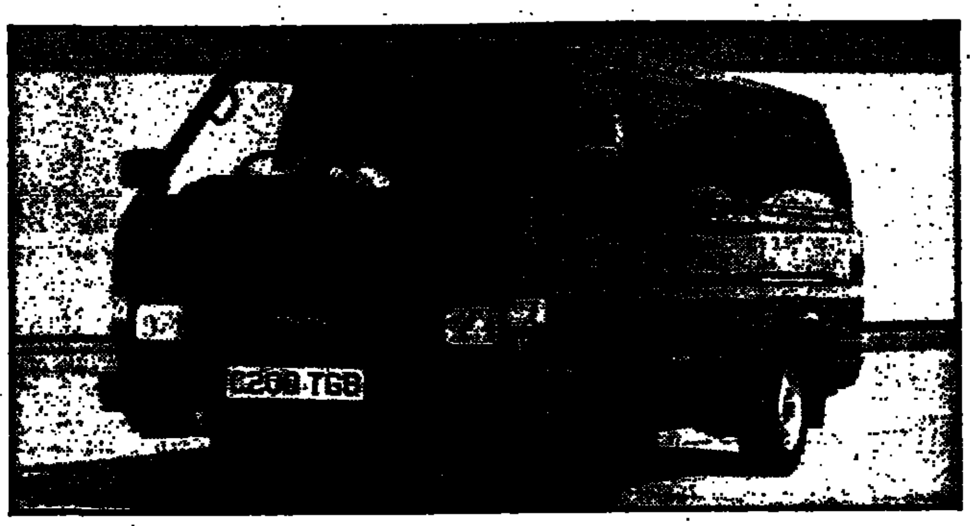
On the light commercial vehicle front the Japanese have already shrugged off a major protectionist measure implemented in the US in 1979 when the Treasury imposed a 25 per cent tariff on imported light trucks.

This was mainly in response to union pressure because the three major automotive groups —General Motors, Ford and Chrysler—were all importing small pick-up trucks from Japan and selling them with their own badges through their dealer networks.

Partly as a result of the tariff, both GM and Ford introduced "downsized" or smaller pick-ups and Nissan set up its pick-up truck assembly plant in Tennessee.

In spite of the tariff, however, Japanese pick-ups are still among the lowest-priced vehicles available on the US market and very attractive to private customers wanting to buy something new rather than a used car.

Last year between them Toyota, Nissan, Mazda, Isuzu, Mitsubishi and Suzuki sold 808,530 trucks in the US, up from 650,020 or by 24 per cent.



What European and US makers are up against. The Toyota Hi-Ace panel van exemplifies the highly successful vehicles that Japanese manufacturers are selling in world markets

Ever on the look-out for new niches to fill, the Japanese are steadily increasing their sales in the so-called sport-utility sector of the light truck market in the States. What was once the exclusive territory of the American Motors' Jeep, Ford Bronco and Chevrolet Blazer, now includes competiton from Isuzu, Toyota and Mitsubishi.

Unlike the pick-up trucks, these vehicles are as profitable as cars despite the 25 per cent tariff. Some of the utility models would normally be classified as cars. But to avoid having the vehicles counted as cars and included in the quota system agreed by the Japanese and US governments—a quota which ended in April this year —the Japanese took out the rear seats.

The back seat was treated as an option which added $400 to $600 to the price.

In Western Europe the Japanese captured a record 16.4 per cent of total commercial vehicle sales in the first quarter of 1986. In 1985 they achieved a 15.1 per cent penetration compared with 14.2 per cent the previous year.

Nearly all the progress stemmed from Japanese successes in the medium van sector (which does not include car-derived and micro vans) up to 3.5 tonnes gross weight.

By the end of the first quarter of 1986 the Japanese accounted for 25 per cent of the medium van sector.

They benefited much more than their European rivals from the hiatus caused by Ford phasing out sales of the old Transit van, Europe's best-selling medium van, and the gradual introduction of the new Transit with its completely different shape.

But the Japanese already were doing very well in the sector, mainly at the expense of Ford, which builds the Transit in Britain and Belgium, and Volkswagen of West Germany.

In 1980 the Japanese had only 11.8 per cent of the medium van sector in Europe (15 countries) and by the end of last year had built their penetration to more than 21 per cent.

The London-based DRI Europe group forecasts that by the 1990s the Japanese will take 40 per cent of the medium van business—the fastest-growing area in Europe's commercial vehicle market.

Two elements in particular will extend the Japanese penetration. First, the Japanese will make more vans at their own European factories. For example, Nissan is making the Vanette at its Motor Iberica subsidiary in Spain.

Second, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and investment needed for new van ranges and will use Japanese vehicles to do so, either by importing them fully built-up or by producing Japanese-designed vehicles.

The trend has already been established. Ford recently added a light van produced by its Japanese associate Mazda to its range in West Germany while Daimler-Benz, the Mercedes group, and General Motors, which uses the Bedford badge on its commercial vehicles made in Europe, have agreements to produce Japanese vans under licence.

In the first three months of this year the Japanese gained a great deal of ground in the UK where the best-selling Ford Transit was in short supply. They built their medium-van segment share from 14.5 per cent at the end of 1985 to 18.2 per cent.

Shipments of light commercial vehicles to Britain are covered by the voluntary restraint agreement between the Japanese and the UK motor industries, but West Germany is wide open to attack.

In the first quarter of this year the Japanese share of the West German medium van sector rose to 29 per cent from 23.28 per cent at the end of 1985.

Volkswagen and Ford once dominated the Western European van markets. But since 1982, VW's share of the medium sector is down from 17.2 per cent to 15 per cent, while Ford's share has been reduced from 16 per cent to 10.5 per cent over the same period.

The Japanese push comes at a time when there is relatively little growth in demand expected. DRI Europe, for example, predicts that sales of commercial vehicles up to 3.5 tonnes gross weight (including, this time, car-derived and micro vans) in the seven major West European markets will go up from 912,600 last year to 937,600 in 1986 but fall back to 931,500 in 1987. Demand should climb above 1m a year in the early 1990s.

The forecasters suggest that production of commercials up to 3.5 tonnes in those same seven countries — Belgium, France, Italy, the Netherlands, Spain, the UK and West Germany — will be slightly more than 1m this year, roughly the same as in 1985, and remain at this level for a few more years to come.

This is because, apart from taking volume away in Europe, the Japanese are also cutting out the Europeans in export markets. DRI suggests exports of commercials up to 3.5 tonnes, which were 273,300 in 1980 and had fallen to 180,200 by 1985 will drop again to 168,200 this year.

Until the mid-1990s, the best the Europeans can hope for is exports of 182,000.

The Japanese first made their presence felt in the European commercial vehicle market with car-based vans and micro-vans. Six years ago they moved up to medium vans with higher value. There is plenty of evidence they are now taking the process to its logical conclusion and will attack the light truck segment where volumes are lower but value is much higher.

The same can be said of the US where the Japanese already have been moving swiftly into those niches of the light truck sector that the domestic manufacturers say would be too expensive to supply with American-built vehicles.

CONTENTS

Western Europe's light van market

	1982	1983	1984	1985	†1986
Total sales (000s)	396.8	435.1	418.8	496.2	143.9
	Market shares %				
Renault	36.3	33.3	30.1	23.3	28.3
Peugeot-Citroen-Talbot	20.2	17.2	16.2	24.7	24.2
Japanese	10.1	10.8	11.4	13.2	11.9
Ford	8.6	7.7	9.3	9.6	7.7
Fiat	9.7	10.1	11.1	9.1	7.6
GM-Opel/Bedford	4.1	4.9	6.5	6.6	7.6
BL-Austin Rover	5.2	6.1	4.7	4.5	4.6
Volkswagen	2.8	4.0	3.8	4.2	4.4
Seat	1.8	4.7	5.4	3.8	2.9

† First quarter

Industry sources.

US truck sales and stocks

(Five months 1986)	Chrysler Corpn. Dodge	Chrysler Corpn. Plymouth	Ford	General Mtrs. Corp. Chevrolet	General Mtrs. Corp. GMC truck & coach	Jeep Corpn.	Nissan	Total
0-6,000 lb:								
Utility	9,369	—	36,948	66,112	15,906	23,559	—	151,896
Car-type pickup	—	—	—	9,846	1,215	—	—	11,061
Compact pickup:								
Domestic	—	—	120,421	91,233	21,299	12,230	36,343	281,676
Import	31,769	—	—	—	—	—	—	31,769
Mini van	6,569	—	10,204	22,540	4,704	—	—	44,017
Van	7,335	—	29,295	8,401	1,279	—	—	46,310
Conventional pickup*	23,675	—	67,868	106,493	23,423	—	—	228,459
Station wagon†	—	—	—	—	—	34,163	—	34,163
Mini passenger carrier	50,389	49,066	46,020	38,474	8,600	—	—	192,749
Passenger carrier	4,719	—	—	551	125	—	—	5,395
Total	134,025	49,066	310,748	346,709	81,661	69,952	36,343	1,028,485
6,001-10,000 lb:								
Utility	5	—	19,739	17,178	3,438	—	—	40,360
Van	23,686	—	30,773	40,241	10,422	—	—	105,122
Van cutaway (type C)	—	—	12,848	6,586	1,898	—	—	21,332
Conventional pickup*	13,948	—	145,966	53,905	17,962	640	—	237,421
Station wagon†	—	—	—	23,675	7,601	6,186	—	37,462
Passenger carrier	13,679	—	11,919	6,882	1,529	—	—	34,009
Multi-stop	—	—	—	16,812	1,802	—	—	18,614
Total	51,298	—	221,245	170,279	44,652	6,826	—	494,300

* Including extended and Crew cabs. † Truck chassis.

Motor Vehicle Manufacturers Association of the US.

The US

Family drivers boost

THE GROWING number of Americans using light trucks as personal vehicles has made them more popular than cars *for some manufacturers,* and contributed to a strong light truck market that continues despite slowing US passenger-car sales.

Near-record sales of light-duty trucks also contrasts with a sluggish market for heavy- and medium-duty trucks used primarily in commerce. Light-*duty (under 10,000 lbs gross* vehicle weight) US truck sales through May 1986 totalled 1.8m, several thousand units ahead of last year's total year-to-date figure. Last year's total of 3.7m was a record year for US light truck sales.

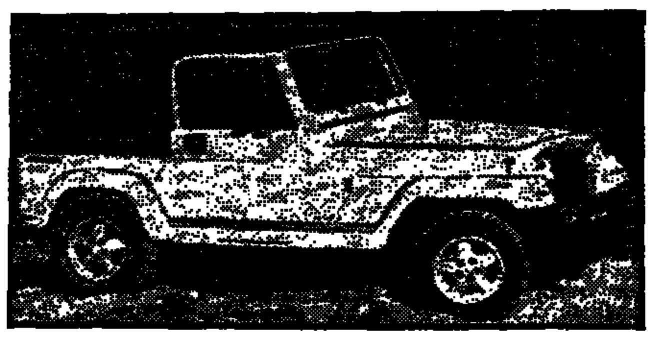
The apparent momentum in light-truck sales persists in the *face of a softening market for* passenger cars that was off 1.3 per cent to 4.6m units for the first five months of 1986 compared to a year ago.

A number of factors seem to be combining to maintain demand for light trucks in the US. Relatively new on the market are several new compact pick-ups and light vans designed specifically for the needs of the average family.

The largest US-built sedans and station wagons, long the primary vehicle for suburban families, have largely been replaced by physically smaller cars as manufacturers responded to US regulations that limit the average fuel consumption of cars built in the US. One result has been a boom in so-called "mini" vans pressed into passenger-carrying service by suburban families.

"Minivans fill a wide variety of needs. They're much more versatile than station wagons, with various seating arrangements," says Mr Jerome Mittman, light truck marketing plans manager at Ford.

Both Ford and General Motors introduced new short-wheelbase vans late last year, a year after Chrysler first began selling a radical, front-drive "minivan" that was viewed by many buyers as an alternative to the traditional station wagon. Now market analysts at both Ford and General Motors estimate *about 70 per cent of* sales of their latest small vans are to non-commercial customers.



The new Jeep Wrangler: American manufacturers are having to look carefully at the utility market where Japanese makers are increasingly strong.

Chrysler's front-wheel-drive van, which will add a longer body to the line this year, has an even higher percentage of owners using it as a passenger vehicle.

Mr Mittman says the increase in buyers who are now shopping for light trucks instead of cars *has promoted demand for* expensive luxury interiors, automatic transmissions and air-conditioning—luxury items not normally ordered by farmers and fleet delivery customers. "Our most expensive pickup is slightly more than $20,000 now," Mr Mittman says.

It's a trend likely to enhance profits for manufacturers, since light trucks are manufactured in high-volume, standardised plants that keep unit costs low. Standard-size pickup trucks normally are the largest-volume single model vehicle of any type for GM, Ford and Chrysler.

The continuing drop in fuel prices in the US is often mentioned as another reason for the strong sales of light trucks. Yet small imported pick-ups, mainly from Japan, have increased even more than domestic sales.

Imported trucks currently are running about 29 per cent of total light truck sales in the US, up from 18 per cent a year ago. That's a similar gain to the increase in import car penetration of the US market, now at 25 per cent compared to 23 per cent.

Neither Japanese cars nor trucks are unrestricted in the US market today, but while the Japanese have set self-imposed quotas on export volume in cars, trucks are currently inhibited only by a relatively high tariff of 25 per cent.

Japanese imports of light trucks likely would have been even higher if Ford and Chevrolet had continued to import so-called "captive" trucks manufactured in Japan and sold under the domestic manufacturer's label.

Ford and Chevrolet stopped importing Japanese models two years ago when they introduced their own domestically-manufactured models. Chrysler, which is beginning production of its own light pick-up this summer, will continue to import trucks from Japan made by Mitsubishi.

The actual presence of the Japanese in the US market is somewhat higher than indicated by sales of direct imports. Nissan currently makes about 10,000 light pick-up trucks in its US manufacturing plant in Smyrna, Tennessee, assembled mainly from components produced in Japan.

US light truck manufacturers are also introducing a variety of new models and technical changes expected to add momentum to the market.

Both Ford and Chevrolet are introducing redesigned standard pick-up trucks this year—an unusual occurrence since light trucks are redesigned only about once in a decade. American Motors recently introduced a new pick-up truck based on its *four-wheel-drive* Jeep.

Chrysler also currently is launching a new mid-size pick-up in a brand-new, highly automated assembly plant.

American manufacturers also are studying plans to build standardised chassis for light trucks that could be adapted *to various uses, including vans,* pickups and four-wheel drive utility vehicles.

The soft market for light trucks in Europe has discouraged such plans on a world-wide basis, but the strong market in the US is viewed as a strong incentive to proceed.

Dan McCosh

The UK

Long recovery continues

THE LONG recovery of the UK commercial vehicles market from its 1980-81 trough—the deepest in the industry's post-war history—has continued during the past 12 months.

The further improvement, made possible by growth in the country's overall economy—which has shown remarkable resilience to the collapse of the oil price—has been particularly noticeable in the vans and light truck (up to 7.5 tons) sectors.

Between 1981 and last year, sales of light vans—mainly those derived from cars—increased by 60 per cent to reach 93,685. A further rise was enjoyed in the first six months of this year, although the momentum has slowed: Society of Motor Manufacturers and Traders registrations showed a further 4.2 per cent increase, compared with last year's first half, to 50,375 units.

Until the last few months the experience had been repeated, though to a less dramatic extent, with medium and heavy purpose-built vans (those with gross vehicle weights of between 1.8 and 3.5 tons).

At their nadir in 1981, sales fell to 98,510. By last year they were back up to 121,200—a 23 per cent gain. In the first half of the current year, sales have actually fallen back slightly, by 3.5 per cent, to 62,980 compared with the year-ago half.

The recovery in light truck sales has been on a par with that of medium and heavy vans, reaching 20,380 units last year, a 24 per cent increase compared with 1981.

The question is, do the signs of flattening of the sales curves this year indicate that another downturn will not be too long delayed?

Consultancy group DRI Europe, for one, thinks this is not the case. The buoyancy of the economy, it forecasts, will take both vans and light trucks into further sales increases, at least until the end of next year. For 1987, it predicts sales of light vans will reach 98,325, medium and heavy vans 134,026 and light trucks 21,030.

Behind the encouraging overall figures, however, lies continuing fierce rivalry for sales among manufacturers and importers, and which has been intensified by a number of landmark new models during the past year.

Those models have included not only the long-awaited replacement for Ford's original, 20-year-old Transit, but the second van within two years from Bedford, General Motors' troubled UK commercial vehicles subsidiary, to be based heavily upon a Japanese design.

The Midi, a one-tonne payload van based on a design by Isuzu, in which GM has a 38.6 per cent stake, was launched at the beginning of 1985, and in the spring of this year was joined by the Rascal. This is a "micro-van" with an engine of only one litre but still capable of carrying a half-ton payload.

With these two products to complement its largest, UK-designed, CF2 van (all three are assembled on Bedford's Luton van lines) plus two versions of the Ellesmere Port-assembled Astra van, Bedford has declared its intention of capturing overall leadership of the UK van market.

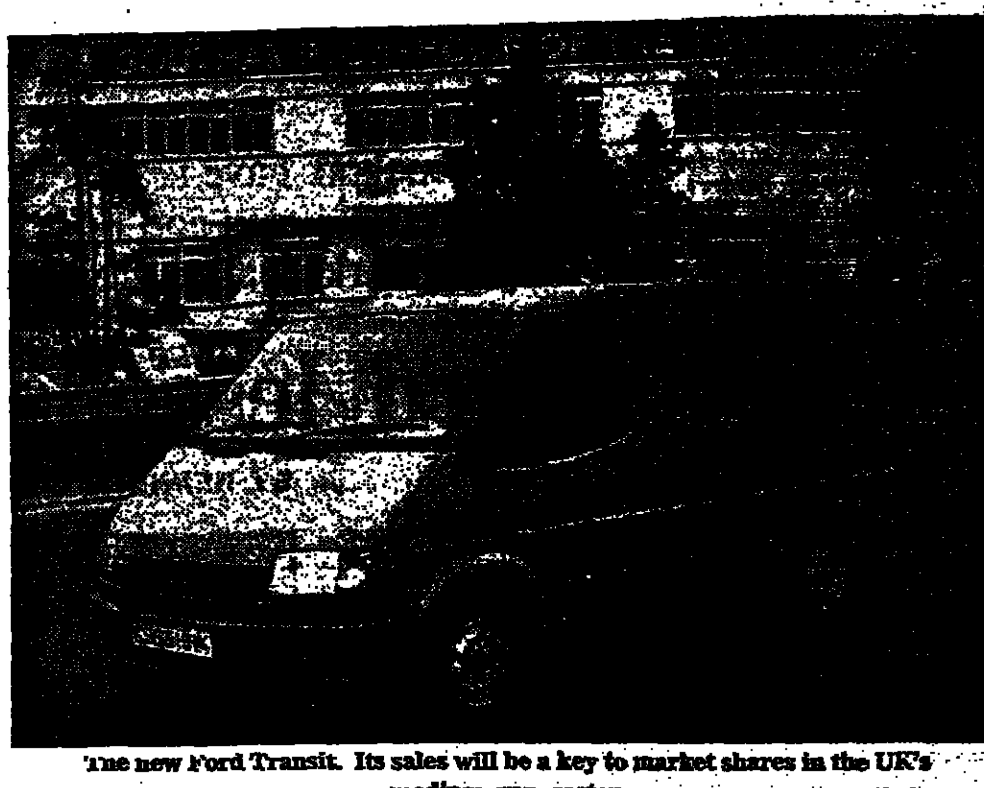
The objective, however, remains far from fulfilled. In the first six months of this year Bedford's combined van sales totalled 20,365. That was well up on the 16,940 sales achieved in the same period of last year.

It was also sufficient to elbow the Rover Group companies, Austin Rover with its Metro and Maestro vans, and Freight Rover's Sherpas, out of second place. The former BL companies' van registrations fell slightly to 19,560, from 20,623, over the same periods.

But Bedford remained far behind Ford, which even with a 4 per cent sales fall in the first half of the year still achieved 38,520 sales with its Fiesta, Escort and Transit vans. And that was despite the new model Transit, launched at the beginning of this year, being in markedly short supply while production was being phased in.

Its chances of closing the gap appear nil, given the uncertainty which has arisen over the future of Bedford in the UK following the Government's blocking of GM's intended take-over of Leyland Trucks and Land Rover.

GM had plans to develop a "world" van through its Pontiac, Michigan-based world truck and bus organisation, in which Bedford would have played a key part. GM has now decided to get out of the bus business altogether, and has shelved the world van.



The new Ford Transit. Its sales will be a key to market shares in the UK's medium van sector.

Bedford, which announced 1,700 redundancies in June, still needs a replacement for the CF, in the face of the new Transit. But at the time of the talks with BL it said that investment in a new van would be worthwhile only if there was a joint vehicle to replace both the CF and BL's Sherpa. With the world van and BL options now closed off, will it once again turn to the Japanese for a solution?

New models intensify fierce rivalry for sales among manufacturers and importers

However, new model introductions have not been confined to UK-based producers, who have faced increasingly stiff competition from importers in the medium and heavy vans sectors.

Nissan UK, for example, has more than doubled its imports of medium vans in the first six months of this year, to 4,165 from 2,040. Nissan attributed the jump to better availability of vehicles from Japan, but the total included 775 vans from Nissan's factory in Spain, which is not subject to import quotas.

Meanwhile, Renault continues to lead the "traditional" importers in the medium vans sector with its Trafic and Master range, with 5,075 sales in the first half. But this represents a drop of nearly 500 vehicles on the same period of last year and suggests that Renault might be an early casualty of the resurgence of the Transit, which closely resembles the Renault models in appearance.

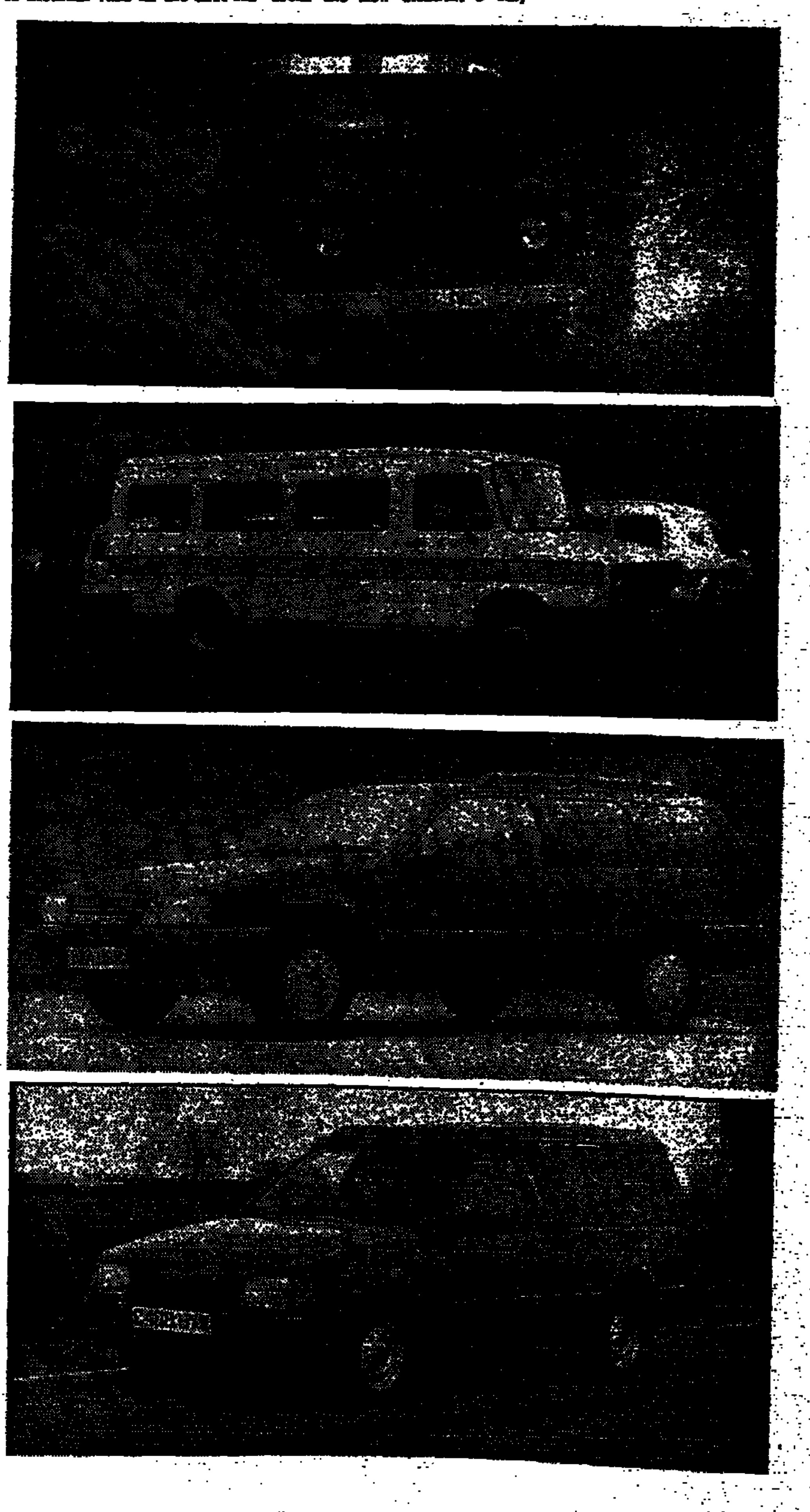
The consolation for Renault is the immediate success in the UK of its small van derived from the new Renault 5 car, which has produced a near-tripling of sales for Renault in the car-derived van sector in the first half of this year, to 1,830 units.

No less spectacular has been Citroen's performance in the same sector, with Spanish-built van versions of its Visa car. Despite the vehicle's colour choice—white and red only, its logo, a bottle on wheels, and names—Van Blanc and Van Rouge—the little Citroen captured 1,376 sales in the first half following its sales launch at the start of the year.

Other new arrivals in the market include pick-up and van versions of Volkswagen's Polo, and the T2 heavy van range from Mercedes, in weights between 3.5 and 7.5 tonnes, with which Mercedes hopes to secure 30 per cent of sales in this sector, up from 25 per cent with previous models.

The completion inevitably has increased the market share of importers, who accounted for 29.5 per cent of light van sales in the first half (27.45), and 48.25 per cent of medium and heavy van sales (41.96).

John Griffiths



From top: Land Rover Ninety county station wagon; Freight Rover Sherpa high-speed police vehicle; Vauxhall Astra van; and Ford Escort van. The sales of car-derived vans continue to increase as UK manufacturers and importers pursue this highly competitive sector.

Vans and light trucks 3

France

Healthy sector keeps out exports

THE FRENCH light van and small truck market continues to be one of the healthiest in the French motor industry. In contrast to the domestic car market as a whole, the light van sector has managed to sustain strong growth.

At the same time the two French *manufacturers*—the state-owned Renault company and the private Peugeot-Citroen group—continue to dominate the light van market where foreign makes have so far failed to make a significant dent such as they have achieved in the French passenger car market.

After a disappointing year in 1984, the light van market picked up last year with registrations rising by 11.7 per cent *to 303,800 vans compared with* the year before. The sector also accounted for 14.7 per cent of overall French car sales last year. The figure would have been higher if sales to the French public administration and public services which are not recorded in the official registration statistics were also included.

This year the market has continued to advance strongly, with registrations rising by *14.8 per cent during the first* five months and French manufacturers extending their gains over importers, whose share of the market totals only 18.4 per cent compared with over 35 per cent in the passenger car sector.

The French light van sector has traditionally been helped by its significantly lower Value Added Tax rate of 18.6 per cent compared with 33 per cent for passenger cars in France. But last year it received an additional stimulus from the sharp increase in the introduction of diesel models.

Demand for diesel-engined light vans has surged in France. Indeed, in the case of the successful Citroen C15 light van—one of the undisputed stars of the domestic market in 1985—about 60 per cent of sales involved diesel models last year.

The Peugeot group, thanks to its Citroen C15 light van, gained the largest single share of the French market with 41.1 per cent, followed by Renault with 37.6 per cent. Citroen alone had a 20 per cent share of the market, reflecting the favourable response to its new C15.

But Peugeot's great rival Renault has now climbed back to take the lead again in the van market. Renault's perfor*mance has been boosted by the* launch of its new Express van, which challenges directly the C15. Renault gained a 43.6 per cent share of the French market during the first five months of this year, with the Express taking as much as 17.1 per cent.

Peugeot slipped into second place with 37.9 per cent of the market during this period, but even so its sales have continued to advance. In volume terms, Renault sales in the first five months have jumped 24.5 per cent while Peugeot group sales have risen by 9.6 per cent.

The success of the Renault Express has inevitably had an impact on sales of the Renault 4 van, which has long been one *of the pillars of the state*-owned group's van and light industrial vehicles range. After still managing to hold 12.8 per cent of the French van market last year, the Renault 4 van's share declines to 5 per cent during the first five months of this year.

Both Renault and Peugeot have continued to see sustained demand for van versions of their successful small cars. The two-seater van version of the Peugeot 205 has now been overtaken by the rival Renault "Enterprise," which is the van version of the familiar Renault 5. Both the Peugeot 205 and the Renault 5 have healthy market shares.

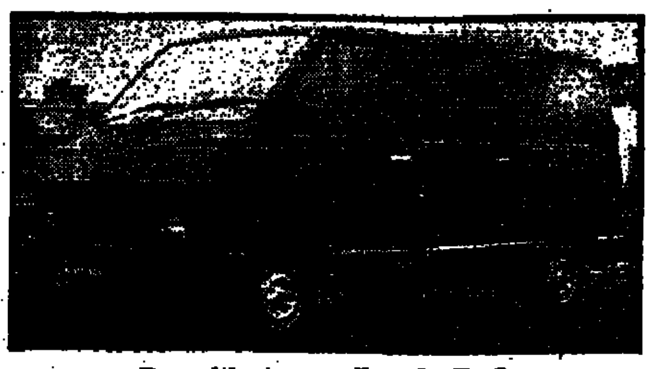
French car-makers are also pleased with the sales performance of their small trucks. Peugeot markets a range of Peugeot and Citroen models based on its joint venture in Italy with Fiat. The company regards this venture as a success and an example of the sort of co-operation which can be undertaken between car manufacturers.

For its part, Renault is encouraged by the sales performance of *its Trafic small truck* which has gained a 6.6 per cent share of the French market so far this year.

The results of the light van sales drive are contributing to general recovery efforts at Renault, which has a major restructuring programme to cut losses totalling FFr 10.9bn last year.

Peugeot has reported its return to profitability last year after several consecutive years of heavy losses.

Paul Betts



Renault's strong-seller: the Trafic

Italy

Lacklustre outlook as sales rise slowly

THE ITALIAN market for vans and light trucks, like the larger car market, has traditionally been the preserve of Fiat, which sells such vehicles through its Fiat Auto and Iveco (commercial and industrial vehicles) subsidiaries.

Last year was by no means remarkable, either for Fiat or for its foreign competitors operating in Italy. The total number of commercial vehicles (below the 3.5 tonne mark) sold in 1985 came to 99,082, making for a distinctly lacklustre rise of 2.6 per cent on 1984.

The outlook for this year is much the same — a stable and unexciting market with a marginal sales increase at best.

Fiat itself lost ground in 1985. Although it is far and away the market leader, its Fiat Auto division sold 48,016 vans and light trucks, accounting for 48.5 per cent of the Italian market, down from 51,000 vehicles or 52.8 per cent in 1984.

The Iveco division actually saw its 1985 sales in this sector up by 13 per cent to 14,121. When Fiat Auto and Iveco division sales are combined, however, the Fiat group sold a total of 62,137 vans and light trucks in 1985, against 63,500 the year before.

Industry analysts say that demand has been weak in the opening months of the current year, and that customers are more price-sensitive than ever. Many of the buyers of vans and light trucks are small companies, pieceworkers often involved in textile, shoemaking or clothing, and a broad variety of other artisans.

"For these artisans buying a Fiat Ducato or Ford Transit is a big investment. The clients are highly sensitive about price variations and equally about financing packages," comments Mr Sergio Frezza, of Ford Italy.

The response by the manufacturers has been to introduce improved models, engage in heavy advertising and promotional campaigns plus offers of cheap finance

Fiat's range of Ducato models —smart modern vans and light trucks, which are manufactured *with a standard of finish gener*ally associated with cars—has been a great success. Last year the Ducato range accounted for 21,722 of the vehicles sold by Fiat Auto (the other 22,265 vehicles were in the Fiorino and 900-E ranges).

Italian market

Company	Sales (units)	Market share %
Fiat Auto	48,016	48.5
Iveco	14,121	14.3
Ford	10,152	10.2
Renault	6,905	7.0
Volkswagen ...	6,047	6.1
General Motors	4,959	5.0
Others	8,882	8.8
Total	99,082	100.0

Source: Fiat.

In March of this year, Fiat introduced a new Ducato Maxi-Turbo model, a high performing and powerful turbo-charged diesel which appears to be meeting with a good reception. Ford, on the other hand, started 1986 by introducing new styling and larger volume on its Transit range: whereas the one tonne model previously had 5.2 cubic metres of space and a standard roof, the new range includes six cubic metres of space with the standard roof, and 6.6 cubic metres with a semi-high roof.

Ford is still, however, a distant second to Fiat in the Italian market, last year having sold 10,152 vehicles to obtain 10.3 per cent of the market.

Behind Ford came Renault, *with 7 per cent of the market,* Volkswagen with 6.1 per cent, and General Motors with 5 per cent.

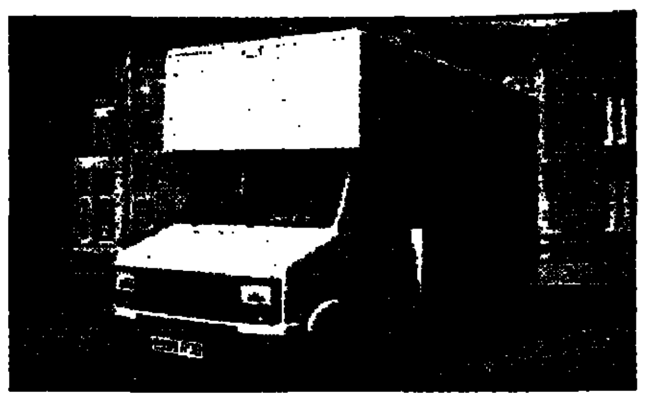
To maintain market share, the various companies have been spending on advertising as never before. It is estimated that in the first four months of this year the big producers spent around US$4m together on radio, television, print media and billboard campaigns.

Fiat is believed to have spent between $1.5m and $2m of this total.

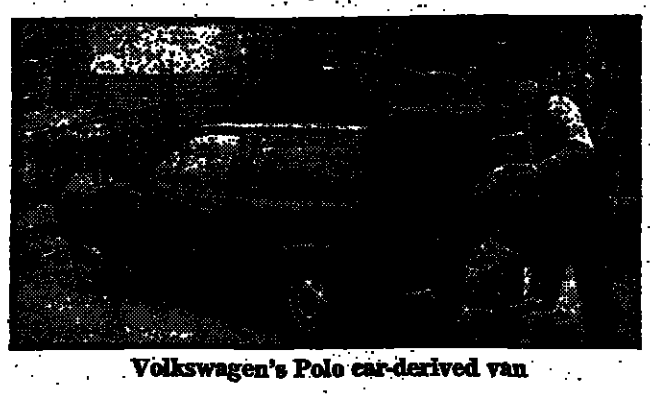
Then there are the financial incentives offered to customers. Ford and Renault are particularly active here, with Ford offering L10m of interest-free finance for one year.

Renault is offering L9m interest-free for a year on its Trafic model. Perhaps the luxury of being the market leader explains why Fiat has stayed out of the finance game, offering no such incentive.

Alan Friedman



Fiat's Ducato in Luton van form



Volkswagen's Polo car-derived van

West Germany

Confidence from orders pick-up

DESPITE JAPANESE competition, the West German manufacturers of vans and light commercial vehicles see some grounds for confidence about prospects in the immediate future. New orders, particularly for the smaller vehicles, have been picking up—not only in the domestic market but in other European markets as well.

Producers hope for a further increase in sales, on the assumption that West Germany and other countries will sustain their moderate economic growth rates. At the same time, there is increasing emphasis on updated models and improved performance to try to meet the intense rivalry.

One sign of the times is the improved situation at Volkswagen's plant at Hanover, which is largely taken up with production of vans and other light vehicles. After steadily reducing the number of employees and operating short-time working in recent years, the Hanover plant has stabilised its workforce and has been running some Saturday shifts to step up output.

In other moves, Daimler-Benz and Fordwerke, the Cologne-based subsidiary of Ford of the US, are both marketing some new model ranges.

Earlier this year, Ford launched its new range of Transit vans, produced at Southampton in the UK and at the Fordwerke-supervised plant at Genk in Belgium.

In contrast to the hard-hit medium to heavy truck operations, the lighter end of the commercial vehicle sector has been showing more signs of life. The strongest interest, however, has centred on car-derived vans, which can double up as family-transport and leisure vehicles.

While the building industry has been struggling to revive from recession, demand for vans for use in delivery and service trades has been more resilient.

According to the Automobile Industry Association (VDA), West Germany's production of goods-carrying vehicles of up to 2 tonnes gross weight rose 63 per cent to 48,785 last year. However, goods-carrying vehicles of between two and six tonnes gross weight showed a less dramatic production increase of 3.2 per cent to 120,320 last year.

Production has shown a further increase this year, total output of goods-carrying vehicles of up to six tonnes rising 8 per cent to 76,600 in the first five months.

Sales, both for family and leisure interests and for business uses, have also been rising, in domestic and export markets. In May, the VDA says, orders for transporters picked up equally strongly in West Germany and in markets abroad.

With the Japanese moving ever more strongly into the light and medium van markets, Volkswagen and Ford in West Germany have come under strong pressure in recent years. This intense competition has added to the impact of economic recession. As a result, VW has seen output of Type 2 transporters decline from a peak of 217,875 in 1980 to 155,425 last year.

With the launching of its new generation Transit vans, Ford sees the prospect of regaining some lost ground in West Germany and elsewhere in Europe. Fordwerke says that sales of Transit vans were up 17 per cent in West Germany in the first four months of this year. This sturdy recovery comes after a sizeable decline last year on the eve of the introduction of the new models.

Transit sales in West Germany slipped 21.5 per cent to 8,875 last year. At that level, the Transits took just 6.7 per cent of their market segment, compared with 8.8 per cent in 1984 and 9.3 per cent in 1983. With sales recovering this year, however, Fordwerke says the Transit's share of its market sector in West Germany bounced back to about 7.3 per cent in May and about 9.3 per cent in June.

Since its launch in the second half of last year, the Japanese-developed Econovan has helped to give impetus to Ford's market position. According to Fordwerke, the Econovan's market share in West Germany has been edging up to about 2.3 per cent in May and 2.6 per cent in June. Its sales lately have been helped by the availability of diesel and bus versions.

So far, Ford has been offering the Econovan only in West Germany, Norway and Denmark, with import restrictions on Japanese-built vehicles hampering introduction in other key European markets.

Daimler-Benz expects a strong boost from its new range of heavy T2 vans of between 4.6 and 7.5 tonnes gross weight, introduced in Europe in April. Including smaller commercial vehicles, Daimler-Benz expects its Düsseldorf plant to run at full capacity, turning out close to 70,000 transporters this year.

In view of the strong competition, Daimler-Benz has been seeking to preserve its market position with a range of technological improvements in the T2—including lower fuel consumption and reduced maintenance and repair costs, as well as more engine power.

Daimler-Benz has been putting a lot of effort into modernising the range of transporters produced in Spain, now an especially interesting site with Spain's entry into the European Community (EEC). With the Spanish light commercial vehicle market improving from a low level, Mercedes-Benz España increased sales of its locally manufactured transporters by 19 per cent to 10,430 last year.

It is also pressing ahead with plans to start production in Spain of a new lightweight model based on the Mitsubishi L300.

John Davies

Japan

Record production but exports drop

PRODUCTION OF light vans in Japan hit a new record level in 1985 — up by just over 1 per cent to 3.38m units — but the pace is slowing sharply.

Despite buoyant sales of microvans on the domestic market, a tumble in exports is now setting the slide on total output levels. Over the first four months of this year, built-up exports of light vans plunged to a 23 per cent deficit. Despite a 5 per cent gain in domestic sales, output so far has shown a net 6 per cent fall and this year, for the first time since 1982, a downturn in van production is looming.

The improvement in sales in Japan stems from record demand for indigenous microvans. With engines up to 550 cc, these midget vehicles offer valuable savings in tax and insurance. They have been tailored to the narrow winding streets of Japan's cities, and they are particularly popular with a growing band of women drivers. (Outside Japan they have little relevance. With a majority of overseas customers preferring the car-derived alternative, only a small number of microvans are exported, to countries such as Pakistan, Australia and the UK.)

Customer interest in the microvan sector has been boosted recently with new products from Honda and Mazda joining longer-standing competition from sector leaders Suzuki and Daihatsu. Sales efforts have accelerated as a result, and discounting now threatens the already modest margins available in this sector. During the second half of the year, however, demand is expected to run out of steam as the yen puts the squeeze on corporate profits.

Overseas, current shipments to Europe (up 3 per cent) and North America (up 16 per cent) are being more than offset by dwindling orders from the Middle East and China. Reduced oil revenues have cut this year's shipments to the Middle East by more than 70 per cent and concern over China's dwindling reserves of foreign exchange has sliced 55 per cent off sales to South-East Asia.

The North American markets are Japan's biggest customers, absorbing over 40 per cent of current light van exports. Led by the markets of West Germany, the UK and the Netherlands, Europe accounts for a further 23 per cent.

Increasingly, however, stringent requirements on local sources of components are changing the nature of Japan's overseas business. Local assembly or licensed production is taking the place of built-up exports, and the recent ascent of the yen is accelerating the process, making it unlikely that future shipments of completed vans will again top the 1m mark.

The yen has risen 30 per cent against the dollar since last September. It has gained almost 40 per cent against the South Korean won (source of some of Japan's stiffest competition) and it is now 10 per cent up on the currencies of France and West Germany.

With one-third of its output exported, the consequences for Japan's light van sector are looking ominous. For the producers, an average of 40-50 per cent is expected to be sliced off 1986 earnings. (Already there are reports that, for leading producer Toyota, monthly operating profit since January has plunged by around 60 per cent.) Inevitably, investment plans are being trimmed back. Despite high commitments in the US, spending over the year to March 1987 is expected to rise by no more than 5 per cent after a 30 per cent leap over the preceding 12 months.

"Belt tightening" measures have extended to cutbacks in senior management incomes. Overseas, dealer margins are under threat as importers struggle to absorb the impact of rapid price rises. In Japan, component producers are under pressure to cut their prices by around 10 per cent. Foreign-build programmes are being stepped up—Toyota has advanced the start-up of its Kentucky plant in the US by six months; and, in the UK, Nissan looks set to proceed to phase two ahead of schedule.

Japan's smaller specialists are looking particularly vulnerable. Recently, hard-pressed Nissan cancelled a long-standing contract-build arrangement with Fuji, under which the latter was producing 60,000 Nissan models per year. In one stroke, Fuji saw its annual output prospects drop by 10 per cent. As a result, new alliances are being forged by Japan's second-tier producers. Suzuki and Isuzu have recently agreed to pool resources in production and marketing of vehicles, and in the US Fuji and Isuzu are to co-operate in setting up a joint assembly facility.

At the same time, pressure from the yen is causing suppliers in countries such as South Korea and Taiwan to be enrolled more closely in Japan's vehicle industry. Already recognised as a valuable source of cheap componentry, a more radical move is underway to have Japanese models built in these low-cost centres for re-export to Japan and elsewhere.

Among Japan's producers of light vans, the arrival of new models has brought gains for Honda. Isuzu has enjoyed a boost in US sales, but setbacks on the domestic market have restrained output by Nissan.

For leading producer Toyota, production of goods vehicles topped the one million mark last year, assisted by major changes in the Lite-Ace van. In Taiwan, the company has laid plans for annual production of 15,000 commercial vehicles in collaboration with Kuo Zui Motors. Start-up is 1988.

Minor revisions to Mitsubishi's L300 van are planned for August, and from late next year this model will be built at a Daimler-Benz plant in Spain. It will be equipped with a Mercedes-Benz 2.4 litre diesel engine. Plans to export the model to West Germany (in 1989) have meant a doubling of annual output provision to 18,000 units. Along with Hyundai, there are plans in 1988 to produce around 40,000 small vans in the Canter series in South Korea; and a deal is underway in China for monthly assembly of 300 light vans beginning late this year.

In its third technical link with a Chinese company, Suzuki began production of small vans in the city of Chongquing in April. The company has ties with Land Rover Santana in Spain, and in the UK, GM is building a half-ton Suzuki microvan. (This move to local assembly, and the relief it affords from yen-inflated prices has already caused at least one other UK importer, Honda, to review plans for continued imports of microvans.) Overall, both the UK and Spain look like consolidating themselves as the foremost production bases for Japanese vehicles in Europe.

With an $85m investment, Nissan has recently lifted its stake in Spain's Motor Iberica to over 90 per cent. This year Nissan expects to sell 3,000 Spanish-built vans in the UK, and from 1988 it is planned that Motor Iberica should take over production of Patrol and Vanette models for Europe. Elsewhere, there are plans to start production of pickups in Iran.

A co-operative deal with Daewoo gets underway late next year, building up to annual production of 30,000 light vans in South Korea; and, in India, assembly of the Atlas range is on the increase. As an indication of what is in store, later this year Nissan's California styling studio is expected to reveal a progressive multi-purpose vehicle based on the copany's Stanza. It will come equipped for conversion into a two-seat convertible, four-door saloon or two-seat truck, according to daily operator requirements.

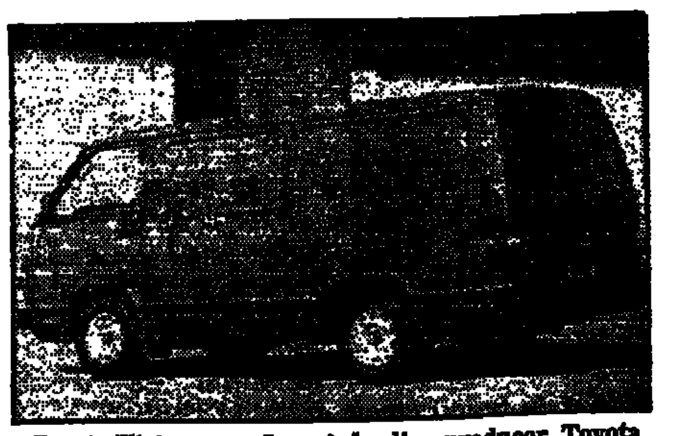
A downturn in Indonesia, Daihatsu's principal export market, hit shipments in 1985. Production of 850cc van models got underway in China recently, and in Portugal the company has an assembly facility for pickups and Delta vans. Speculation on a future European base centres on Spain or a build arrangement with Innocenti of Italy.

Mazda's ties with Ford have led to distribution of Econovan models through Ford dealers in Denmark, Norway and West Germany. First sales, under Ford badges, got underway last September, and there are plans to lift annual volume to 5,000 models with the inclusion of other "open" markets in Europe. From next year, the company also plans to include minivan production at its US plant in Michigan.

Fuji is negotiating with Taiwan's Sanfu Motors on joint production of a one-litre van in Taiwan, and in South Korea Isuzu is gearing up for joint production of its Elf model with Daewoo. Isuzu's Fargo van is already produced by GM in the UK as the Bedford Midi.

Although there have been production setbacks recently, exports to France and Italy are expected to lift sales through the joint Convesco operation by 25 per cent. In a final refuge from the strength of the yen, there is speculation that ties of this sort, between Japan and the big US producers, could be drawn even closer over the coming months.

Ian Robertson



Toyota Hi-Ace van. Japan's leading producer, Toyota built 1m goods vehicles last year.

Japan's output of light vans

Figures in '000s up to two tons loading capacity

	1985	1986*	1987*	% change 1986-85	% change 1987-85
Midget vans (up to 550cc):					
Domestic sales	1,368	1,398	1,280	2.2	−6.4
Exports	11	7	6	−36.4	−45.5
Production	1,389	1,405	1,286	1.2	−7.4
Other light vans:					
Domestic sales	945	868	840	−8.2	−11.1
Exports	1,030	793	650	−23.0	−36.9
Production	1,995	1,661	1,490	−16.7	−25.3
Total light vans:					
Domestic sales	2,313	2,266	2,120	−2.0	−8.2
Exports	1,041	800	656	−23.2	−37.0
Production	3,384	3,066	2,776	−9.4	−18.0

* Forecast.

Source: International Motor Business (The Economist Publications).

Spain

Light in the tunnel

THE PEOPLE of Barcelona have seen caravans of vehicles being driven to the docks for shipment abroad often enough. But a long queue of Nissan Vanettes which recently wound its way to the port area was different.

What raised eyebrows about the latest batch of export units, built by the Japanese firm's Spanish subsidiary Motor Iberica was that they all had right-hand steering wheels. They were destined, inevitably, for the United Kingdom.

If everything goes according to plan in Nissan's Barcelona venture, some 3,000 Spanish-built vans will reach the UK in the course of this year. For the Japanese firm, this will at long last represent the start of a return on an investment in Spain that grew costlier and more frustrating as the years wore on.

Nissan came to Barcelona in 1980 when it bought Massey Ferguson's 36 per cent stake in Motor Iberica. The idea was to use the Spanish company as a springboard into Europe while keeping a low profile.

Things did not work out that way. There was no evidence of a trampoline in Europe, at least not until now; and there was no chance of keeping in the background. Motor Iberica's losses mounted year by year, and from year to year Nissan's stake in the company grew.

"Nissan is the sole proprietor almost by default," Juan Echevarria, Motor Iberica's managing director, says. "The original intention had been to remain as the chief minority shareholder with a degree control of the company."

At the beginning of this year, a special Motor Iberica shareholders' meeting was called to approve a 50 per cent increase of capital to Pta 39bn. As in the past, it was the Japanese parent company which shouldered the burden. Its stake in Motor Iberica, already in excess of 70 per cent after successive capital increases since 1980, was now raised to more than 90 per cent.

The story of Nissan over the last six years in Spain contains all the themes common to the country's vans and light trucks sector as a whole. The main components of the story are the struggle for survival through capital injections, preferably from a foreign partner, and the guarded hope that there is light at the end of the tunnel.

Last year Motor Iberica chalked up two contradictory milestones. It gained the dominant position in the domestic market, and it posted record losses. With domestic sales of 10.672 Nissan Ebro units, Motor Iberica gained 49 per cent of the market and edged Mercedes Benz Espana, the Spanish subsidiary of Daimler Benz, into second place.

The other side of the coin was the figure of Pta 10.2bn losses. Mr Echevarria claims that Motor Iberica's operating costs are now balanced, and that the debit is due to the continuing cost of restructuring the company (the labour force has been slashed from 12,000 in 1980 to the present 6,000) and to financial charges.

It was this belief that the worst was over that prompted Nissan to pump a new Pta 40bn into the company over four years at the January shareholders' meeting. The injection is a bid to put the Spanish subsidiary on a sound financial footing, and the parent company hopes it will be the last one. An equivalent amount of capital since 1980 has been soaked up by losses of Pta 32bn over the past six years.

Nissan's forecast for this year is that Motor Iberica's losses will be down to Pta 7.5bn, and that financial charges will be reduced from representing a present 9 per cent of sales to 6 per cent. By 1990, or six years later than originally scheduled by Nissan when it bought into Motor Iberica, the company should be totally modernised, competitive and able to fend profitably for itself, acording to the management's strategy.

There is room for optimism, as there are signs that demand is on a sustained upward climb. The Spanish vehicle manufacturers association, ANFAC, noted in its latest report that productivity was significantly more positive than in 1985, a year when the improved trend was already setting in. The first quarter results for 1986 showed an overall increase of sales of vans and light trucks, to the tune of 49 per cent and 41 per cent respectively over the first quarter of 1985.

Mercedes Benz España, now Spain's second producer, has undergone a parallel process of financial restructuring to enable it to meet problems similar to those of Motor Iberica. After a Pta 9.2bn capital increase last year, Mercedes Benz España's Pta 1,000 nominal shares were brought down to Pta 500 in April this year, and a further capital increase of Pta 5bn was approved through the issue of new shares.

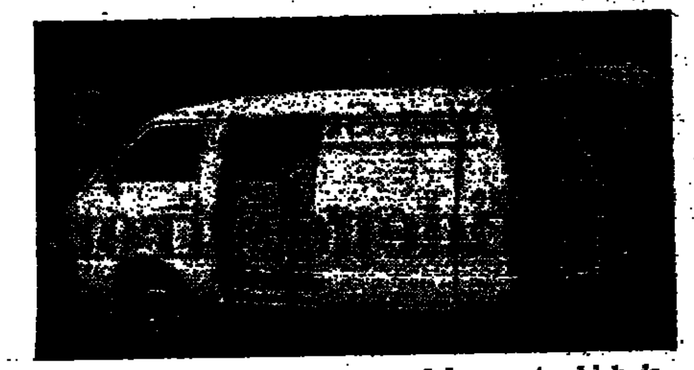
Under the new equity structure, the state holding company INI has reduced its previous 25 per cent stake to 10 per cent; Daimler Benz increases its outright control; and the Saudi holding, Overseas Lending, becomes the chief minority shareholder.

Mercedes Benz España was able to reduce its 1985 losses to Pta 4.1bn in 1985 against Pta 5.9bn the previous year. Production at its Vitoria light truck plant was up by 38 per cent on 1984, and income from sales stood at Pta 39.3bn, a 39 per cent increase on the previous year.

Spain's third producer, Enasa, the manufacturers of the Pegaso line, is the orphan of the sector, for it has failed to acquire a foreign parent. By last autumn it was clear that talks between Enasa's sole proprietor, INI, and General Motors were getting nowhere, and the American giant formally bowed out at the start of this year.

INI has, accordingly drawn up a go-it-alone Pta 28bn investment plan which involves cuts of about 30 per cent in its 8,600 work force and spending on new-product technology and plant improvements.

Tom Burns



The Nissan Vanette: a successful export which is helping the Spanish industry

Medium Vans

'World van' project shelved

THREE BIG events, two positive, one negative, have ensured that 1986 will be a very important year in the medium and heavy truck sector.

The year started with the launch of Ford's new-shape Transit, the long-awaited replacement for Western Europe's best-selling medium van.

In the spring, Daimler-Benz launched its Mercedes T2 range of heavy vans which compete in a low-volume market sector but are vitally important to D-B, Europe's major commercial vehicle group.

The important negative news came last month. General Motors admitted it had shelved its so-called "world van" project which, among other things, was to have provided Bedford in the UK with a replacement for its CF van range.

The world van had been under development since the mid-1970s under the supervision of GM's world truck and bus organisation, based at Pontiac, Michigan, but which co-ordinates the efforts of the group's subsidiaries in Brazil, the US (GMC and Chevrolet) as well as at Bedford.

GM's aim was to develop a van which could use a common design, share some key components and could be marketed around the world through all GM's subsidiaries with only minor modifications.

The US publication Metalworking News, which has close contacts with the motor industry's machine tool suppliers, said that GM had dropped the world van project in favour of redesigning its current ranges of vehicles.

Bedford confirmed the suspension of work on the project and said resources were diverted to the truck programmes. "It is a shift in resources."

Neither Bedford nor the parent world truck and bus division would give any hint about the new van policy or whether Bedford would go it alone to replace the CF which was launched in 1968 and had a major facelift three years ago.

During the talks with state-owned BL in Britain about the purchase of its Land Rover and Leyland Trucks subsidiaries, which broke down in March, GM suggested that one of the most pressing problems for both companies was the development of a new medium-weight van range.

GM argued that the investment would not be worthwhile unless a joint vehicle to replace both the Bedford CF and BL's Sherpa vans was developed.

However, while GM suggested the Sherpa range has one to three years to go before it needs replacing, the management team at the Land Rover company—which has Sherpa production under its control—suggest that there is still three to five years of good life left in the BL vans.

The future of Freight Rover, which makes the Sherpa, is still in the melting pot. BL's new chairman has to make up his mind quickly about further investment.

BL recently signed a distribution deal with Daf Trucks of the Netherlands which will take Sherpa vans and Leyland Roadrunner trucks—in both cases suitably altered to take a Daf badge—for Daf's continental dealer network.

Western Europe's medium van market

	1982	1983	1984	1985	1986 (1st qtr)
Total sales (000)	637.5	652.4	633.9	682.2	180.6
	Market shares %				
Total Japanese	16.4	18.6	20.7	21.2	24.8
Volkswagen	17.2	16.3	15.1	14.8	15.0
Ford	16.9	14.3	12.6	11.9	10.5
Peugeot-Citroen-Talbot	10.5	10.3	9.9	9.2	9.5
Fiat	7.9	8.9	9.3	9.9	9.2
Renault	8.6	8.5	8.7	8.9	8.6
Mercedes	9.1	8.8	8.7	9.3	8.1
BL-Austin Rover	3.8	4.1	4.6	4.5	4.4

Industry sources

The first vehicle in GM's world van project was originally scheduled to be introduced in the autumn of 1988. But the launch has already been put back to 1990 before being postponed indefinitely.

At the Bedford van plant at Dunstable, GM has attempted to boost output by spending £50m to produce two vans, smaller than the CF and based on Japanese designs: the Midi, based on a Isuzu vehicle, and the Rascal, from a Suzuki design.

Some observers feel GM might now rely more heavily on Isuzu, in which it has a 38.6 per cent shareholding, for its future van supplies.

CF has been losing ground in the UK and continental export markets to newer products from European producers and is now under threat from Ford's new Transit.

Ford itself has a great deal riding on the new Transit. To start with, the old vehicle (20-years-old at the time of its retirement) was Ford's most profitable individual model, cars included.

That is important not only to Ford but also to its 25,000 dealers throughout Western Europe.

Not many Ford people expected the old Transit to hold up so well against the new competitors. And it was entirely a matter of luck that it did.

In the UK, the largest medium commercial vehicle market in Western Europe, Ford had only 18 per cent of the sector before the Transit was launched. In little more than a year the van had taken 26 per cent and given Ford market leadership, a position the company has held ever since.

At times, Ford's share of the sector in Britain has been as high as 40 per cent and only once since 1967—in 1981— has it been under 30 per cent. In 1985 the van still accounted for about 33 per cent of medium sector sales even though it was widely known a new style was on the way.

But the Transit has lost much ground recently in continental markets. At the end of the 1970s Fiat and the Peugeot group launched jointly-produced medium vans (sold as the Fiat Ducato, Peugeot J5, Citroen C25 and the Talbot Express) from a new factory in southern Italy. Renault introduced the Trafic/Master range of vans and between them these newcomers snatched market share from the Transit in France and Italy.

Most important of all, the Japanese made an aggressive entry to the sector and between 1980 and the early part of 1986 increased their penetration of the Western European market from 11.5 per cent to nearly 25 per cent.

Special baker's van. This Volkswagen LT35 diesel, with a body by Johnstone Coachbuilders, was built for a Glasgow baker

In 1980 Ford sold 122,000 built-up Transits in Europe. Since then Japanese and new European competition has reduced annual sales to about 85,000.

However, the group hopes new Transit sales will go back to 120,000 a year by the end of 1986 when output reaches near-capacity.

Much of the increase will come from those continental markets where the Transit is already successful with a share of between 8 and 15 per cent.

Production of the new Transit is split about equally between Southampton and Genk, with the former supplying the UK and a few hundred a week of special versions for export plus 40 knocked-down kits a day for assembly at Ford's factory in Portugal.

There is scarcely a market in the world where the old Transit was not sold during its lifetime, but the new vehicle was not designed to be distributed widely outside Western Europe.

Ford's investment in the new Transit totals about $500m, including $150m for the new 2.5 litre, direct-injection diesel engine produced at Dagenham in Britain which Ford took care to introduce in the spring of 1984 in the old van so customers could get used to it.

Some would say Ford's sales expectations are open to question.

Volkswagen will be replacing the Transporter/LT van range before long. Renault and the Fiat-Peugeot vans will also be replaced. Each of the European companies will be looking for sales of 100,000 a year to make investment in new medium vans worthwhile. So far there is no sign that the Japanese threat will diminish.

DRI Europe, for example, suggests that in the 1990s the Japanese share of the medium van market will reach 40 per cent if vehicles built in Europe from Japanese designs are added to those imported built-up.

Daimler-Benz will contribute to the European-built Japanese van element because it has arranged to build a Mitsubishi vehicle under licence at its Spanish subsidiary to complement its range in that country.

D-B itself has escaped damage from Japanese van imports almost entirely. Its vans are at the heavy end of the business because it has no low-cost car components to build into smaller vans.

In April D-B replaced the 19-year-old Dusseldorf heavy vans with the new T2 vehicles which cover the gross weights mainly between 4.6 and 7.5 tonnes—but with versions at 3.5 tonnes for some markets.

Developed at a cost of well over DM100m, the T2 models are in a low-volume segment but are highly important to D-M, particularly in its home market where it has a 70 per cent share of sales of vehicles between 4 and 8 tonnes gross weight.

D-B also last year accounted for 36 per cent of the total West European sales of vans and trucks in this category.

The T2 models have an important role to play in Spain, the only European country where D-B is still looking for new commercial vehicle dealers.

Last year D-B sold 19,000 of the old Dusseldorf models, including parts-sets for assembly outside West Germany. Of the total, 12,500 were built-up vans and 900 were buses or bus chassis. Some 7,000 were sold in Germany.

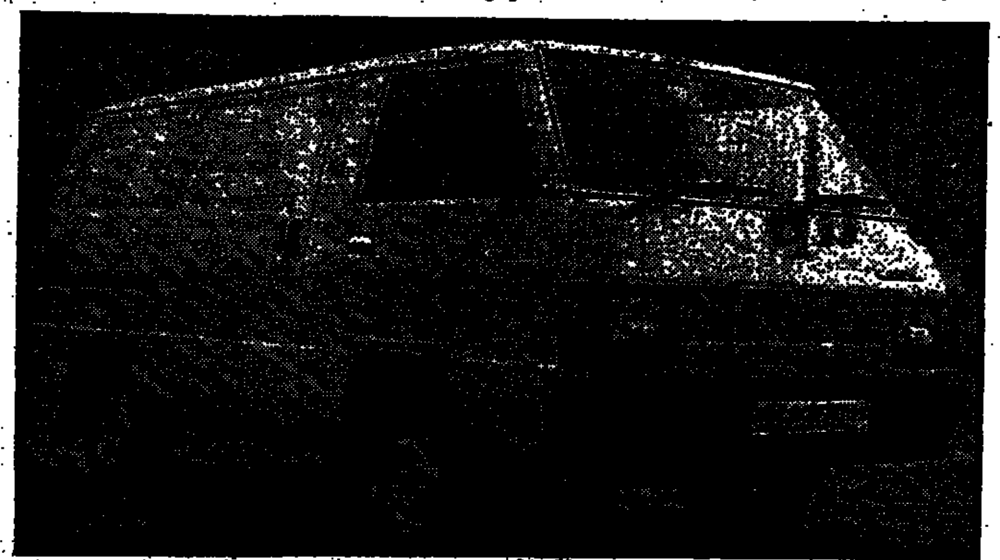
The company has set itself the target of lifting sales of built-up T2 vehicles from last year's 13,400 Dusseldorf vans to 18,500 by 1990.

By then West European annual demand for vans of the T2 type, which has fallen steadily from the peak of 105,000 in the mid-1970s to 71,000 last year, should have partly recovered to 80,000.

Apart from D-B's 35.4 per cent share of last year's total, the Fiat subsidiary, had 17 per cent; Ford 10.4 per cent; Renault 7.5 per cent; the joint Volkswagen-MAN organisation 5.9 per cent; General Motors-Bedford 3.9 per cent; BL 3.7 per cent and the Japanese 4.8 per cent.

Those statistics show how little progress the Japanese have made at the heavy end of the van market so far. They have not developed the products with which to tackle the sector—mainly because large and heavy vans are not particularly suitable for use in Japan itself.

Kenneth Gooding



Left: Japanese contender, the Mitsubishi L300 panel van, and (above) Freight Rover's V8 Sherpa "fast response" ambulance. The rear axle and suspension system allow the vehicle a lower floor height

Light trucks

Partnerships in vogue

THE PACE of change in the commercial vehicle industry is fast and furious. Many of the changes seen in the past year will have an impact on the light truck market.

For example, Ford earlier this year effectively decided to opt out of European heavy commercial vehicle production by selling its operations to a new company in which it has only a minority interest.

General Motors, which owns Bedford in Britain, has put its world truck and bus programme under review and the group has said that, although it wishes to stay in the heavy truck business world-wide, steps must be taken to make GM's operations more competitive — "perhaps with a partner."

Light truck partnerships are already in the news. The one between West German groups MAN, the heavy truck builder, and Volkswagen, Western Europe's major car builder, which share production of trucks in the six to ten tonnes range, recently has been renewed, even though it spectacularly failed to live up to original expectations.

And an imaginative deal—one which might start a trend—has been struck between Daf Trucks of the Netherlands and the Land Rover-Leyland division of state-owned BL in Britain for Daf to distribute Sherpa vans and Roadrunner light trucks via its Continental dealer network.

Ford's decision is, for the time being, perhaps the most significant. Not only did it signal the US group's determination to quit heavy truck building in Europe, it also handed more power to Iveco, the Fiat-owned subsidiary which is second only to Daimler Benz in the Western European heavy commercial vehicle business.

A new company, Iveco Ford Truck, has acquired Ford's only truck factory, at Langley, Buckinghamshire, in Britain, where the Ford Cargo range is built.

The deal gives Iveco, which has production facilities in Italy, West Germany and France, immediate access to Ford's strong dealer network in the UK.

However, the merger is restricted to Britain here a unified dealer network selling both companies' trucks has been set up. Iveco Ford Truck will supply the Cargo to Ford dealers in continental markets but the vehicle will not go to the Iveco network which will remain separate.

The arrangement also excludes the Ford Transit van although some heavyweight versions will be sold through the joint-venture network in Britain.

Ford of Britain and Iveco each own 48 per cent of Iveco Ford Truck with the balance held by London-based merchant bank Credit Suisse First Boston UK.

The management team of the new company believes that the Cargo can quickly regain for Ford about 18 per cent of the UK market for trucks over 3.5 tonnes gross weight, while Iveco's penetration is about 3 per cent.

They expect that the combination of Ford's distribution strength and the much-wider spread of trucks available because of Iveco's involvement will drive the new company to a 25 per cent market share by 1988.

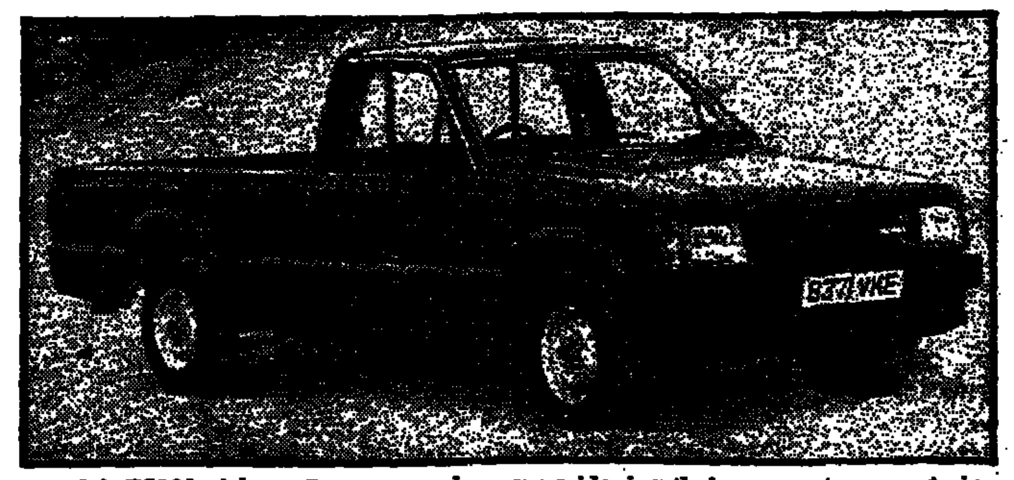
This is just one indication that the Ford-Iveco deal will have its major impact in the UK. And that means the other UK-based producers — BL's Leyland Trucks and Renault Truck Industries, the former Dodge Trucks concern which is now part of the state-owned French group — face a new challenge.

However, Leyland stands to gain a great deal from the distribution link with Daf. The Netherlands group is to sell through its dealers the Sherpa 300 heavy vans and the light Roadrunner trucks.

This should strengthen the Daf dealer network and make it much more viable because the Dutch company produces only heavy trucks, mainly above 15 tonnes gross weight.

At the same time it provides Leyland Trucks with an opportunity for continental sales which do not exist through its limited dealer network across the Channel.

The deal excludes the UK, Daf's best export market, and does not stop the British company from making other arrangements to sell the vans and trucks through its own distribution channels.



Mazda's B2000 pick-up: Japanese makers are widening their ranges to compete in more sectors

Daf's European dealer network covers most of the important markets whereas Leyland has concentrated mainly on France, with limited success. Apart from being the market leader in heavy trucks in the Netherlands, Daf is also strong in Belgium, where it has a factory, and in France.

During the negotiations, BL estimated that the arrangements could add about 1,000 a year each to sales of the heavy Sherpa van and its Roadrunner light truck, launched in the autumn of 1984, to compete in the six tonne to 10 tonne sector.

Leyland hoped for 3,000 Roadrunner registrations a year in the UK and 200 to 300 on the continent but has not reached that level.

The Roadrunner's impact in its domestic market has been dented by Daimler-Benz's new Mercedes LN range of trucks which replaced the 19-year-old LP models, also in 1984.

D-B invested more than DM 290m in the new LN range and estimates it will build and sell 25,000 a year.

Bedford was formerly part of Vauxhall Motors in Britain but in 1983 was hived off to become part of GM's world truck and bus group, based at Pontiac, Michigan.

GM has admitted that the world van project has been shelved and even the truck scheme must be in doubt now.

GM has been looking for a solution to the problems at loss-making Bedford for some time but seemed to have run out of potential partners when talks with the UK government about the acquisition of BL's Land Rover-Leyland division foundered on political rocks four months ago.

However, GM recently indicated that some fresh talks had started with a continental truck producer, but would not give any details.

GM's best bet for a significant presence in Europe was a potential deal with MAN — a deal which would have handed the US group MAN's 20 per cent of the West German market for trucks over 16 tonnes.

But the German establishment ensured that GM would not move in as a significant threat to Daimler-Benz. MAN was provided with cash to help it over temporary financial difficulties when D-B bought MAN's half share of the large diesel engine producer MTU.

MAN's parent, GHH, has since taken full control (it previously had only 75 per cent of MAN) and set up the truck-producing company as a separate entity, MAN Commercial Vehicles.

Mr Wilfried Lochte, chairman of MANCV, says the company is heading quickly back to financial health. It has also renegotiated its medium truck joint venture with Volkswagen.

Last year the joint venture sold 3,700 vehicles but output should improve to more than 4,000 for 1986.

Mr Lochte says the MAN-VW joint project is now breaking even financially and consolidation of production at one site will bring further economies.

Kenneth Gooding

Car-derived vans

Heavy French and UK sales

THE UK and France are odd countries out in Europe in having substantial markets for light vans, the vast majority of which are derived from cars. In other countries, like West Germany, most van operators have tended to run larger, purpose-built vehicles in which manufacturers such as Volkswagen and Daimler-Benz have long specialised.

Even so, some 496,200 light vans were registered in western Europe last year—a sharp increase on the 418,800 registered in 1984.

Sales have continued to accelerate this year, and reached 143,900 by the end of the first quarter.

The figures, however, include a small but growing proportion of "microvans," the purpose-built Japanese vans powered by engines of under one litre.

Until this year they were strictly an import from Japan. As of this spring, however, Bedford has been building its own version, the Rascal, based on a model from Suzuki, in which it has a 5 per cent stake, on its UK assembly lines at Luton.

Yet it remains far too early to start assessing its likely impact on the European market, as Bedford's initial concentration is on the UK, which it expects to account for most of the Rascal's 10,000-a-year output.

And the microvan still has a very long way to go before it presents any kind of threat to the well-established car-derived van producers, and certainly not to Renault or the Peugeot group (including Citroen and Talbot), the two French manufacturers.

In the past year, they have been locked in a struggle for domination of the light van market. But everyone else, including multi-nationals Ford and GM, is an also-ran.

The reason for this French domination is easy to see: last year 192,700 light van sales—well over a third of Western Europe's total—were in the French market. Those sales were shared almost exclusively between Peugeot (44.8 per cent) and Renault (41.7).

But even the struggle with Peugeot came as a nasty shock to Renault, which as recently as 1982 had been taking 38 per cent of the total European light van market with its ugly duckling R4 model, first conceived in the 1960s but for many years easily Europe's best-selling commercial vehicle.

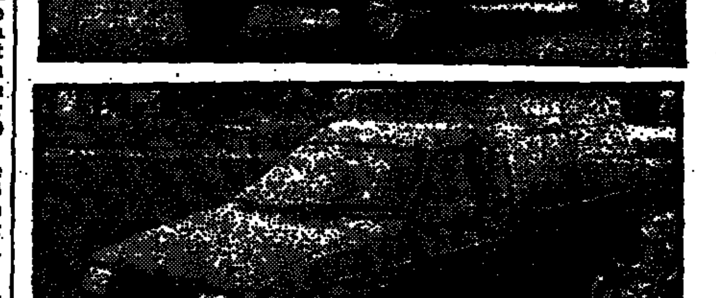
The balance began to tilt at the end of 1984. Renault was already in what now appears to have been the worst throes of its industrial relations and financial troubles. But its problems in the light vans sector stemmed mainly from the launch in October that year of a van based on Citroen's Visa model and built in Spain.

It was an instant success. Between 1984 and 1985 Renault's French market share plunged by nearly 14 points, all of which was picked up by Peugeot. The Visa van was a lot more than simply the hatchback car with its rear windows panelled in. It has a specially-developed cargo box claimed at the time to give it the largest cubic capacity of any car-derived van.

But at the end of last year Renault launched its riposte—a specially-developed version of its new Renault 5 car called the Express in France and the Extra in the UK. With a 91.8 cu ft carrying capacity and engines ranging between 1.1 litre petrol and 1.6 litre diesel, it has turned the tables (along with the still in-production 4) no less sharply on Peugeot.

At the end of this year's first quarter, Renault was once again accounting for 50.8 per cent of the French market, with Peugeot's Visa vans (in two colours and names—Van Rouge and Van Blanc) relegated to 38.5 per cent. So complete is the two marques' domination in France that third-place VW had only 3.5 per cent.

John Griffiths



Top: BL's Maestro van; centre: the new Renault Extra; and Citroen's new Van Rouge

Diesels

UK share to go up

A SHARP increase in the diesel engine share of the light van market is being forecast by manufacturers as a result of the new generation small diesels now on the market.

Around 25 to 30 per cent of the 120,000 to 130,000 light vans registered annually in Britain are diesels—and market forecasts indicate this could increase to more than 40 per cent. The biggest shift is likely to take place in the lighter vehicle sector where the diesel share is currently running at 15 to 20 per cent.

Already, some vehicle manufacturers are benefiting from the swing. About half of Astra van sales are diesels, for example. Again, Ford Motors, in its annual report for 1985, ascribes the retention of its lead in the light van market (it achieved a 7.6 per cent increase in sales in this sector in 1985) to the success of the Escort van, citing as a main reason the offering of its 1.6 litre diesel engine as an option.

The Transit also remained a success at Ford last year in spite of the fact that the old Transit model was being phased out. Prior to its replacement, a running down of sales might have been expected. This did not happen; Ford Transit registrations last year went up 1.8 per cent over 1984's figures, a fact that was almost certainly due to the success of Ford's direct injection engine introduced for the Transit in March, 1984.

Almost half of 1985-registered Transits were fitted with this 2.5 litre direct injection diesel, Ford reports. This also underlines the success of switching technology—from indirect to direct systems.

The reason why diesel engine manufacturers are switching to direct injection is that engines using this technology are around 15 per cent more efficient and consume less fuel. They burn fuel more cleanly; thus, lubricating oil remains clean over a longer period, thereby extending oil change and engine service intervals.

Direct injection also results in reduced engine operating temperatures and this, by reducing the strain on engine component parts, prolongs engine life. A further advantage is better starting, especially at low ambient temperatures.

Perkins is looking for a similar success story to Ford for the direct injection, two-litre diesel, developed in co-operation with the Austin Rover Group. The engine's direct injection system, intended for car as well as van use, could prove to be a substantial cost-saver. It is forecast as offering a 15 to 20 per cent better fuel economy than indirect injection diesels and a 40 per cent improvement over petrol systems.

Manufacturers consider that this question of lower fuel consumption will be the critical factor in accelerating the swing to diesel. The pay-back period on the extra cost of a diesel (£500 to £750, according to make and capacity) will be cut substantially; in other words, the initial higher investment will be recouped more quickly.

Diesel fuel costs less than petrol, so there is a built-in price advantage. In the UK, however, the differential on price is not comparable to that enjoyed in some European countries where tax systems strongly favours diesel engines. There is, however, a possible change in the UK company car income tax laws which should boost diesel car use—the raising of the tax threshold from 1500cc to 1600cc and 1800cc to 2000cc, which will certainly have an impact on the Perkins unit.

Perkins recently tailored one of its engines for Renault Truck Industries for the latter's Dodge 50 series vans. This was the T4.38 engine which develops 67kW (90bhp) at 2600 rev/min. The T4.38 replaced the naturally aspirated 6.247 engine and benefits from both direct injection and turbocharging and serves to demonstrate the demand from vehicle manufacturers for the new technology.

Work on producing these more fuel-efficient direct injection engines has been going on throughout Europe, of course, and Iveco was one of the first companies to take advantage of the concept when it introduced the 3.5 tonnes gvw Iveco Di Turbo-Daily.

This fits the SOFIM 2.45-litre direct injection turbocharged diesel. Iveco pointed out when announcing this that, compared to the earlier pre-chamber model, specific fuel consumption had been improved by 15 per cent, 27.8 per cent more power—from 54 kW (72 bhp) to 69 kW (92 bhp)—and maximum revs reduced from 4,200 revs/min to 3,800 revs/min. A massive increase in maximum torque accompanied the change. This increased 47 per cent from 108.4 lbf ft to 150 lbf ft.

A measure of the impact on servicing is that it was possible with this engine to adopt a double oil filter which meant an oil change every 10,000 km (compared with 7,500 km on the earlier models) and a filter cartridge change every 20,000 km (instead of 15,000 km).

This engine is soon to be fitted in the Fiat Ducato 3.5 tonnes gvw, shortly due to make its debut. This version will not be available in the UK until 1987.

The move to direct injection has also taken place at Daimler-Benz. When the Mercedes T2 van range was launched recently, one of the features was the offer of three direct injection diesels in the heavier models (the range goes up to 7.5 tonnes gross weight).

Eric Gibbins

Four-wheel drive

Fighting hard in a changed market

LAND ROVER, Europe's leading four-wheel-drive vehicle manufacturer and once British Leyland's most successful producer, attracted attention earlier this year when it became known that General Motors of the US was proposing a takeover. Nor did Land Rover's losses in recent years deter other potential bidders once it emerged that the Government might consider selling the state-owned company.

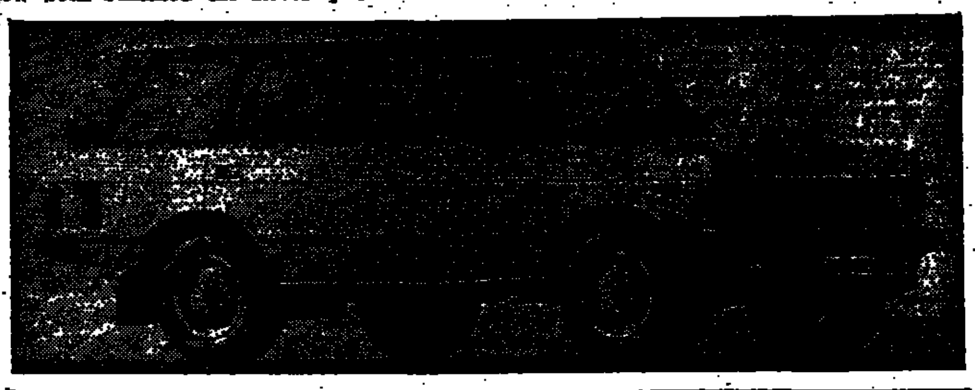
The political furore, particularly the emotional reaction of Tory backbenchers who claimed that part of Britain's heritage would be lost to the Americans, forced a retreat. The Government has pledged Land Rover will remain part of the State-owned group "for the foreseeable future." Mr Graham Day, new chairman of BL, which has now been renamed the Rover Group, has ordered an audit of Land Rover along with the other companies.

The picture that will come back is of a company operating in world markets that have shown dramatic changes in recent years. Until the late 1970s light four-wheel-drive vehicle sales were relatively low, often directed to off-road uses by farmers, construction workers and the armed forces. Jeep Corporation, of the US, and Land Rover served the post war market well with utility vehicles designed to tackle tough terrain.

But starting in the US a new and fashionable market for four-wheel-drive vehicles grew rapidly. They were regarded as a fashionable form of leisure transport, the sort of vehicle to be seen in and unlikely to be put to the test along jungle tracks or over rugged hills.

American Motors Jeep Corporation, in which Renault now has a 46 per cent holding, reports that 95 per cent of Jeeps are now bought for use on the highway compared with only 17 per cent in 1978. Though 80 per cent of customers express the desire for off-road capability, only 7 per cent frequently put their Jeeps to such use.

The Japanese, already with a presence in the US pick-up market, moved quickly to exploit the growth sector offering light, cheap vehicles which combine the comfort of a saloon car with the ability to perform in off-road conditions. In 1981 output of the Japanese-made Toyota Land Cruiser overtook that of Jeep. Japan, from accounting for about 25 per cent of the w ld market, now holds 50 per cent.



Top: BL's Range Rover, to be launched in the US next year. Above: Volkswagen offers its best-selling Transporter van with 4WD

Jeep responded to the Japanese competition and the need to produce lighter, more fuel-efficient vehicles in the wake of the oil crisis of the mid-1970s by developing the new SJ series. Ford has similarly introduced a "down-sized" version of its Bronco range.

The Japanese challenge was not directed merely at the US manufacturers in their home market. Land Rover has also come under attack in the developing countries and Europe. Competition includes Toyota, Nissan, Mitsubishi, Daihatsu, Suzuki and Isuzu.

Automotive Industry Data in a research study of European four-wheel-drive prospects to 1991 maintains that Japan's domination of the light utility sector will continue: "The apparent inability of West European manufacturers to meet the current and future market demand with the right products for this sector is expected to continue throughout the forecast period."

AID contrasts the rapidly-rising West European sales with fairly static local manufacture. Production hovered around the 7,500 vehicles a year level during the period from 1979, showing a marked increase only in 1985. During that time sales soared from under 59,000 to more than 153,000.

The study suggests sales will more than double to 318,000 units a year by 1991. European production, however, even including local assembly of Japanese designed vehicles, is projected to climb only to 135,000.

AID comments: "Current production plans are clearly inadequate to meet the demands of the sector and the Japanese will continue to meet the shortfall through increasing quantities of direct imports."

Land Rover is clear about its market strategy and believes it has taken the measures necessary to establish profitability. The rapid rise of Japanese competition is but another factor that has served to intensify the pressure at a time when export markets were undergoing dramatic change.

Political and economic problems have cut into orders from the traditional markets of the Middle East and Africa. For example, Nigeria, which in the 1970s might have taken 5,000 Land Rovers a year, is likely to buy perhaps only 50 this year.

Accordingly, Land Rover has switched the marketing effort from the Third World to the developed economies. A £50m military contract to supply vehicles to Australia over the next five years has just been won. Model changes have been made to the Land Rover to offer car comforts in order to make it more attractive to the *European leisure market.*

But the company insists that in the drive to meet the challenges of changing markets it will never compromise Land Rover quality, reliability and durability. The aim is to build on the vehicle's strengths in the heavy duty end of the market, even if it means other prospective customers might have to pay a price premium.

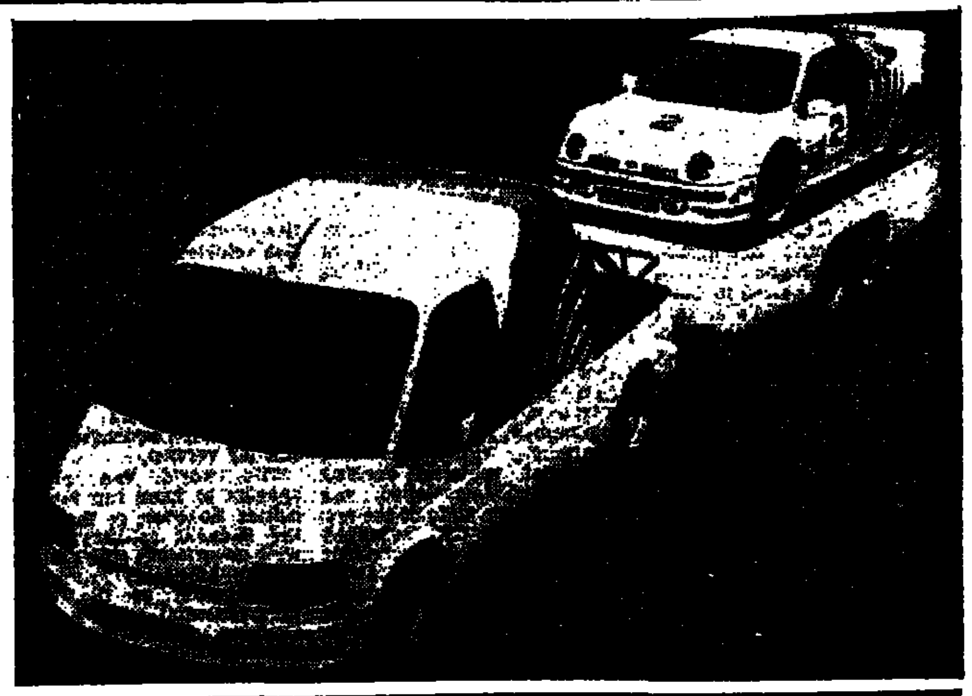
The Range Rover, designed initially for the US market but held back for price and exchange rate reasons, is now due to be launched in North America next year. A network of 60 dealers—importers of top-quality European makes—is being recruited. The Range Rover is seen as a competitor in the luxury car market against conventional cars such as the Porsche, Mercedes and Jaguar.

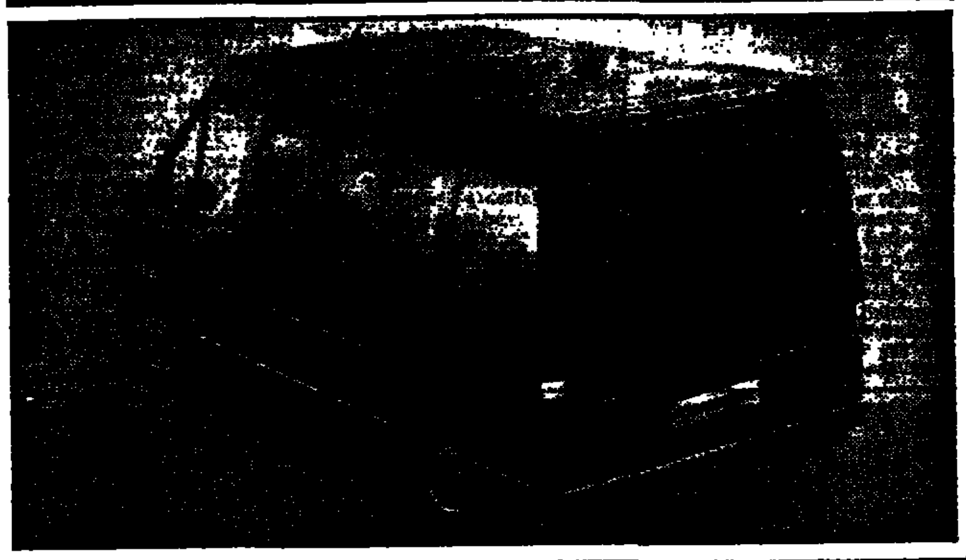
The top of the range "Vogue" model, launched in the UK last October and selling at just under £20,000 has boosted sales in the home market by 45 per cent in the first half of this year. Range Rover registrations beat 8,000 for the first time last year —a jump on the 2,500 of 1984.

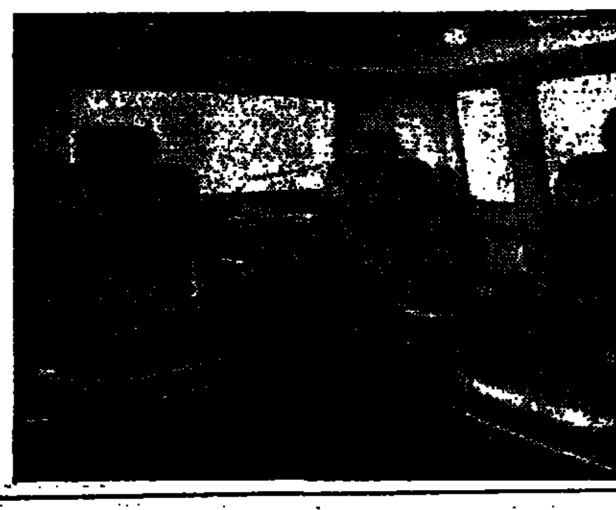
Sales in Europe, which climbed to more than 5,300 last year, are expected to increase with the recent launch of a diesel-engined version in France and Italy. But the main hopes rest on the North American market where sales next year are projected at 2,000 to be followed by 3,000 in the first full year. No one is making a public forecast beyond that, but the optimism is clear.

Mr Day as the Rover Group chairman will clearly be anxious to assess the profit prospect. Land Rover made a £10m trading surplus on a turnover of £521m last year, an improvement on the £4.7m net loss of the previous year. The benefits to the company of a rationalisation programme which involved closing seven satellite plants *and axeing 1,600 jobs should be* felt for the first time this year.

Arthur Smith







These two concept vehicles by Ford, displayed at this year's Geneva Truck Show, give a glimpse of the vehicles of tomorrow. The Tug (top) based on the new Transit van, combines a luxurious interior with go-anywhere performance and can be used, for example, as a rally support vehicle. The Chasseur, also Transit-based, is a five-seat, air-conditioned leisure vehicle with individual telephones for each passenger

Electric Vehicles

Ready for regular production

ANOTHER MILESTONE on the roadgoing *electric commercial* vehicle's slow progress towards viability will be passed in October. From the middle of that month, one-tonne payload electric CF2 vans will be coming down the Luton assembly lines of Bedford, General Motors' UK commercial vehicles subsidiary, as part of regular van production and at a planned rate of 500 a year.

Half of the first year's production, according to Mr Ken Malia, Bedford's electric vehicles manager, has been pre-*sold to public* utilities like—naturally—electricity boards.

And after a month of "road shows" around the Midlands, ending in early July—in which for the first time Bedford was targeting *ordinary commercial* operators—Mr Malia has few fears about whether the rest will be sold.

The road shows were undertaken in conjunction with the East Midlands Electricity Board and Lucas-Chloride EV Systems, the joint venture company between Lucas and Chloride which, with some £5m of government backing, has developed the vehicles' world-leading drive system.

The 300 electric CFs Bedford has already built were also assembled on Bedford's "ordinary" van lines, alongside the company's petrol and diesel-powered CF2s and the smaller Midi and Rascal models. But they were *built in two* batches, for evaluation both in the UK and overseas, with the last of the second batch completed late last year.

The electric CF's potential importance extends to far outside the UK. GM, while conducting its own, continuing, research programmes in the US into potentially viable electric commercial vehicles, *decided* that the UK-developed van represented the state of the art. And nearly 40 CFs, rebadged as GM Griffons, are currently undergoing extensive trials with public utilities in the US under a programme being co-ordinated by the US Electric Vehicle Development Corporation.

If all continues well, this *fleet will be increased to nearly* 1,000 vehicles over the next few years.

GM is showing more than a passing interest in the UK electric vehicle on the basis of research *it* carried *out a couple* of years ago indicating that up to 3.5m light commercials in North America, mainly on urban delivery work, were potential candidates for being switched to electric operation, for both environmental and fuel economy reasons.

Since then the picture has been slightly clouded by two factors:

The collapse of the oil price, which is diminishing the incentive of operators to sell alternative vehicles to petrol or diesel.

And, second, GM's problems with its own light commercisils *product planning*. It had planned to produce a "world" van by the end of the 1980s, suitable for all markets. This would certainly have meant the end of Bedford's CF, with unknown consequences for the electric version.

The *world van planning* appears to have run into difficulties, however, so the CF for the moment soldiers on, but with uncertainty still surrounding its long-term future.

Evaluation of the electric CF's potential is by no means confined to the UK and North America, however. Currently it is undergoing trials with a total of 70 operators worldwide. Six have gone to Japan, including two provided to Chuubu Denrokyu, a major utility which supplies electricity to the central, and most heavily industrialised, *region of Japan*.

In addition *they* have been exported to Denmark, Sweden, West Germany, Israel and Hong Kong. The Republic of China has also placed trial orders.

The performance of the vans is far removed from that of the milk float. They are fully "traffic compatible" in the jargon of the electric vehicle industry. That means the vans have a top speed of about 50 miles per hour, and acceleration to match that of conventionally-powered vans.

The constraint, of course, is range — currently 50 to 60 miles between charges using the latest types of lead acid traction battery. Even so, research by Bedford and its partners in the project have shown that this is adequate for a wide variety of light commercials on fixed urban delivery routes.

Until recently, and despite claims that the electric vehicles are already competitive with conventional vans in terms of whole-life costs, there has been *some scepticism* about whether the vans could ever be serious rivals because of their initial cost.

When the CF electric was launched, it had a price, including batteries, of some £10,500. But this was after a subsidy provided by the Department of Trade and Industry equivalent to about £4,000 per vehicle.

So the £14,000 "true" price was approaching triple that of the petrol or diesel version.

Right from the launch, in April 1984, Bedford argued, however, that you simply could not *look* at electric vehicles that way. For the battery pack and its charger, accounting for nearly half the subsidised price, had to be viewed as a fuel, not capital, cost as on average the batteries would last for four years.

In any case, Mr Malia pointed out, the DTI's subsidy was to encourage "market entry" for electric vehicles. As the production of more vehicles allowed costs to be spread, so the need for the subsidy would diminish.

So it is proving. When the series production electric CF2s go on sale in the autumn, they will be at the original launch *price* — despite the fact that by then the DTI subsidy will be only 40 per cent of the 1984 level.

Based on current production plans, what appears increasingly unlikely to be realised is a prediction made in 1984 by marketing director Mr Des Savage that the UK market for such vans — which are being made *in limited* quantities also by Freight Rover, the Rover Group (formerly BL) vans subsidiary, could reach 4,000 units a year before the end of the decade.

Diminishing concern about fuel prices almost certainly has put paid to that prospect.

But that situation could yet be changed if trials of a CF2 fitted with a new "superbattery" and which are due to start before the end of the year prove successful.

The battery, developed by Chloride Silent Power, uses sodium and sulphur as its couple. With the battery pack made up of hundreds of individual cells about the size of a torch battery, it can be arranged in strings easily adapted to underfloor spaces in the vehicle.

Chloride says it believes the battery could be in commercial production before 1990, and that because of the cheapness and free availability of the couple *materials, it could* be cheaper than lead acid units.

From the electric vehicle manufacturers and operators' point of view, however, the real bonus is that the vans' range with a one-tonne payload could be tripled to 150 miles, or payload much increased, because the "superbattery" pack will be far lighter than lead acid units.

John Griffiths

Above: One of six Bedford CF2 vans arrives at th container depot for shipment to Japan. Below: Ca of the Bedford Midi van with its high-backed driver' seat

Driver's view

Vehicles much easier to use

FOR THE delivery driver life gets progressively tougher, with increased urban traffic congestion and proliferation of yellow lines in shopping streets. He is also in many instances having to get to grips with computer-generated paperwork, as delivery notes take the form of yet-more print-outs.

There are, however, compensations. Today's vans and *chassis designed for multi-drop* operation are far in advance of their predecessors from the driver's point of view.

At the end of a day making perhaps 40 or 50 deliveries, a driver of a mid-1980s van or truck is less fatigued both physically and mentally than his 1960s counterpart.

Reduced interior noise is an important contributory factor. Fundamentally new ranges introduced this year, like Ford's redesigned Transit, Renault's car-derived Extra, and, most recently, Mercedes's 3.5-7.5 *tonnes big* T2 vans, are *two* to three decibels quieter than the models they supplant.

Vibration and harshness, regarded by vehicle engineers as integral elements in the noise-reduction challenge, have also been cut quite sharply, largely as the result of computer analysis of structural dynamics—how vehicle components, from engine valve-covers to van side panels, "behave" across a spectrum of resonance loads and frequencies.

Weight of insulating material rather than its nature has *come to be regarded as crucial* in bringing down noise levels. The Mercedes T2 has 77 lb (35 kg) of high-density mineral felt in the cab area alone, much of it lining the removable cover shrouding the rear end of the diesel engine.

Relatively minor changes to vehicle controls, bringing them more readily to hand (or foot) and simplifying their operation have further helped to enhance drivers' perceptions of the new generation of light commercial vehicles. Better placing of instruments, switches and knobs in more thoughtfully *laid-out* fascias has also played its part in making vans and trucks as easy, even relaxing, to drive as the average passenger car.

There however is the rub, in *that* for multi-drop town delivery work, a car-like layout is far from ideal. It comes down to the ergonomics of a van driver's job—the ease with which he can get in and out of his vehicle.

Stooping, bending, twisting and *other* contortions, possibly while carrying delivery (or collection) consignments, are *obviously to be avoided if* possible through proper attention to ergonomics.

Right down at the end of the commercial vehicle weight range, for payloads of up to 10 to 12 cwt (500-600 kg), car-derived vans (and pick-ups) have traditionally been accepted as the norm. Vans like the Ford Escort, Bedford Astra and *Austin Maestro continue* to sell in larger numbers to High Street traders.

A car-derived van by definition offers a car-like seating position, to give high levels of comfort, once the driver is behind the wheel. But for undertaking high-frequency deliveries, he might have to get in and out as many as 10 times an hour.

While vehicles like the Ford Transit and Mercedes T2 are purpose-designed for easy step-in access to the driving seat, passenger cars are not, an neither are car-based vans. seats are too low, the door o ings are also too low. A d delivering 50 packages different parts of town wil lucky to escape backache or stomach cramp and/or kn ing his head on the door fr

Why cannot manufactu make their smallest vans as suited, ergonomically, to m *drop working as their one* ners? The prime reason is of manufacturing cost, for volumes justified by the siz the market.

However, in their inimit way, the Japanese grasped nettle in the early 1970s, veloping what have come t known as microvans, one which, the Suzuki Super C *is now* being assembled by Bedford at Luton for bad under both marque names.

Like the rival Honda Daihatsu sold in Britain, flat-fronted forward-control sign makes for optimum us the vehicle's overall length load-carrying. Significantly Suzuki is 16 in (406 "taller" than Bedford's e car-derived Astravan.

You can step into a m van almost as easily as can enter a bigger van lil Transit or a Bedford CF. the seating position is ciently high *for the drive* see over cars in front. M drop work is thus erg mically more acceptable to micro driver than to counterpart in a car-der van.

On the negative side, price for that ease of cab e is a somewhat cramped, the upright, driving posi Because the micros are narrow, elbow room is res ted, especially when a senger is carried.

Image-wise, microvans c the macho truck driver drome as far in the "wro direction as it is possibl go. The narrowness of vehicle suggests a lack beefiness. The fact remains micros are immensely prac *for in-town delivery work.*

Both the Transit and bigger Mercedes T2 r carry the stamp of erg mically-influenced 1980s de thinking. Cab entry, in cases, *is* set well *behind* front axle for easy "no har driver access. Cross-cab ac for the driver needing to out on the kerbside in a tr clogged street is made ea by the same token a t crew member can be ac modated in greater comfo

Wider door openings into cargo space feature on new ranges. *The sliding* loading door, listed as option on the Mercedes, even accept a full-sized 4 (1m)-wide pallet. Min effort is needed to open door and a recessed along with a much lower f now makes it much easie get up into the loadspace.

Aesthetically, bigger and their *chassis-cab* equ lents set increasingly standards internally, closely emulating passenger levels of trim and refinem Some hard-bitten trans managers might say that drivers are getting spoilt. comfort, ergonomic con ence and a plush, the durable cab interior undeniably important co butors to the demand greater driver, and hence operational, efficiency.

Alan Bunt

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 15 1986

Guinness drop separate board for Distillers

BY DAVID GOODHART IN LONDON

GUINNESS, the UK brewing and retail group, announced yesterday that Sir Thomas Risk, the governor of the Bank of Scotland, would not become non-executive chairman of a new joint board as proposed at the time of its successful bid for Distillers earlier in the year.

The company also admitted that it no longer planned to set up a separate board at all. In its offer document of March 3 it stated that such a board would be formed from senior executives of Guinness and Distillers and would include non-executive directors such as Sir Nigel Broakes, chairman of Trafalgar House.

Mr Chris Davidson, Guinness's senior press spokesman, said that the decision not to establish a separate board had been made after consultation with major shareholders who were concerned to see Distillers streamlined and not have even more tiers of management grafted on.

He added that Guinness still intended to shift its headquarters to Scotland, as promised during the bid, and register as a Scottish company.

Sir Thomas Risk was not available for comment yesterday. The Guinness camp however was suggesting that there had been some friction between him and Mr Ernest Saunders, the Guinness chief executive, over the amount of banking business that would go to the Bank of Scotland.

Board changes following the Distillers takeover will now be based on the original Guinness board and as a prelude to those changes it was also announced yesterday that Mr Saunders would become chairman and chief executive of the company.

Previously he had been deputy chairman and chief executive. The Earl of Iveagh, the current chairman, will become president.

Although Mr John Connell, the former chairman of Distillers, is expected to retire soon, it is likely that his younger brother Mr David Connell will join the Guinness board from Distillers

However, Mr Victor MaColl, an assistant director of Kleinwort Grievson, which acted for Distillers during the takeover, said: "It is unfortunate that an unnecessary proposed structure was put together when we all knew that it was Ernest Saunders' management that would end up running the new business."

J. P. Morgan earnings rise 50.6%

BY WILLIAM HALL IN NEW YORK

J. P. MORGAN, parent of Morgan Guaranty Trust, yesterday began the second quarter reporting season for the major US money centre banks, by announcing a 50.6 per cent jump in net earnings to $237m for the three months to end-June.

Morgan's earnings, which resulted chiefly from increases in non-interest operating income and securities gains, as well as from higher net interest earnings, overshadowed yesterday's results from other leading US money centre banks.

Chase Manhattan, Morgan's larger but less profitable rival, reported a 11.4 per cent rise in its second quarter net income to $146m and Chemical New York, parent of New York's fifth biggest bank, announced an 8.4 per cent drop in second-quarter net income to $98.3m.

Chase said that its earnings were boosted by higher net interest income, higher fees and foreign exchange trading profits, plus investment gains and a $9m after-tax gain on the sale of Chase's interest in a Japanese leasing company. These favourable factors were partially offset by increased operating expenses and a higher loan loss provision.

Chemical said that its second quarter results were depressed by lower gains on the sales of investment securities, losses in the trading account and a larger provision for loan losses. Irving Bank, one of the smaller New York money centre banks, reported a 8.5 per cent rise in second-quarter net income to $34.1m.

First Chicago's biggest banking group, reported net income of $63.6m in the latest period, compared with $11.7m a year ago when earnings plummeted because of unexpected losses at a Brazilian affiliate. Northern Trust, one of First Chicago's local rivals, announced a 42 per cent rise in its second quarter earnings to $8.5m.

Most major US banks are experiencing strong gains in net interest income at the moment. Morgan's net interest earnings on a tax-equivalent basis rose by 24 per cent to $522.8m in the second quarter, while Chemical's net interest income rose by 11.3 per cent to $500.3m. It said that spreads benefited from a slowly declining earnings rate compared with a more rapidly falling funding rate.

Morgan's earnings continue to be underpinned by very strong growth in its non-interest operating income which rose by two-thirds to $377.1m in the second quarter. A healthy increase in corporate finance fees boosted earnings from the category known as "other operating income" by 50 per cent to $125.7m. Income from foreign exchange trading rose by $15.1m to $60.7m and net investment securities gains of $66.1m in the second quarter compared with $24.5m in the same period last year.

Morgan's performance was also helped by a $20m fall in its second quarter loan loss provisions from last year's $90m. However, many of its rivals posted higher loan loss provisions. Chase's second quarter provision rose by $30m to $135m and Chemical's second quarter provisions rose by 42 per cent to $93.4m.

Chase's non-performing loans of $2bn at the end of June are down from last year's $2.4bn but still account for 3.1 per cent of total loans. Morgan's non-performing loans continue to decline and at the end of March totalled $672m compared – with $1bn a year ago.

Morgan continues to set a standard for the rest of the US money-centre banks by boosting its primary capital since 1985 by $469m to just over $6bn giving it a primary capital ratio of 8.23 per cent. A year ago the ratio was 7.63 per cent. Chemical has also increased its primary capital ratio from 6.51 per cent to 7.35 per cent over the same period.

For the first six months of 1986, Morgan's earnings are 46.2 per cent ahead at $470.9m or $5.14 per share.

Chemical's earnings are 2 per cent higher in the first half at $200.9m or $3.70 per fully diluted share. Its shares shed $1 to $47⅞ in early trading yesterday. Chase's shares also slipped by $⅛ to $40⅞ in early trading yesterday. Its six month earnings are 9 per cent ahead at $289m or $3.38 per share.

Singer approves sewing spin-off

By Our Financial Staff

SINGER, the Connecticut-based aerospace and marine equipment group, has finalised plans for the spin-off of its sewing and furniture operations and predicted a sharp rise in second-quarter earnings.

The company said its board approved the spin-off, which has been under consideration for some months. The spin-off businesses will begin to function as a separate entity known as SSMC, which will continue to manufacture and sell Singer-branded sewing machines and furniture products.

Singer said shares in the new company would be distributed as a special dividend after registration is completed with the US Securities & Exchange Commission. This is expected to take place before the end of September and will be at the rate of one share in the new company for every four Singer shares currently held.

Singer itself will keep 15 per cent of SSMC's common stock and a class of its preferred stock, Mr Joseph Flavin, Singer's chairman and chief executive, said. The spin-off completed Singer's transformation into an aerospace electronics company.

On earnings, the company estimated that its second-quarter net income was about $22m or 99 cents a share, compared with $12.2m or 61 cents a year earlier, when there were fewer shares outstanding.

The latest results, however, were heavily distorted by special factors, the largest of which was a $109m after-tax gain on the sale of the company's controls division to Eaton.

This, and a $17m tax credit, were partially offset by write-offs on remaining start up costs of the Simuflite division, provisions relating to the spin-off of the sewing and furniture operaitons and accounting changes on the aerospace side.

Standard Chartered shares lose 57p

BY NICK BUNKER IN LONDON

STANDARD CHARTERED, the British-based international bank, saw 57p wiped off its share price on the London stock market yesterday in the aftermath of its escape on Saturday afternoon from the hostile £1.3bn ($2bn) takeover bid by Lloyds Bank.

The fall left Standard Chartered's shares trading at the close last night at 718p, down from 775p on Friday evening. It also left Standard Chartered's three leading saviours, Sir Yue-Kong Pao, Tan Sri Khoo Teck Puat and Mr Robert Holmes à Court holding between them paper losses estimated at £39.7m.

Sir Y. K., the Hong Kong property and shipping magnate, Tan Sri Khoo, a Malaysian businessman, and Mr Holmes à Court, the Australian financier, acquired stakes totalling about 27.3 per cent of Standard Chartered in two days of hectic buying late last week which successfully frustrated Lloyds' three-month-old bid. They are thought to have bought into the bank at prices of about 815p per share.

Sir Y. K., who holds an estimated 14.9 per cent of Standard Chartered, was reported to have said in Hong Kong that his purchase was a long-term investment made with his own funds. Yesterday's share price fall leaves him holding losses on paper of about £21.7m.

Brokers' analysts took the view yesterday that the bank would have to act quickly to demonstrate that the presence of the new major shareholders would be a catalyst to reorganisation and streamlining of its global operations.

Mr Michael McWilliam, Standard Chartered's group chief executive, has indicated that he would support a plan to float off separate parts of the business on foreign markets, such as Hong Kong and Singapore.

There was speculation among analysts that the leading role played by Mr McWilliam in defeating the Lloyd's bid would strengthen his personal position within the bank, giving him the authority to push through changes in its operation.

PepsiCo acquires Seven-Up's overseas interests for $246m

BY TERRY DODSWORTH IN NEW YORK

PEPSICO, the US soft drinks manufacturer, has moved to strengthen its position in international markets with the acquisition of the overseas interests of Seven-Up for $246m in cash.

Seven-up, which is one of the leading producers in the expanding lemon-lime category of the soft drinks business, was placed on the market some time ago by Philip Morris, the tobacco group which bought the company for $520m eight years ago. PepsiCo made a $380m bid for the whole of the drinks group earlier this year, but was thwarted by the US anti-trust authorities, who opposed the deal on the grounds that it might reduce competition.

Analysts believe, however, that PepsiCo has acquired the strongest part of Seven-Up in its international division, which is believed to be the third largest soft drinks company outside the US. The company operates in 85 countries, and is one of the leaders in the fast-growing lemon-lime category – a part of the market accounting for about 15 per cent of the total soft-drinks market outside the US against around 7 per cent within the US.

Philip Morris has struggled to make money on Seven-Up because of its lack of supporting soft-drink brands, but Wall Street believes that PepsiCo will be in a better position to turn a profit on the company because the deal will allow it to make improved use of its bottling and marketing facilities. PepsiCo should be able to use its expanded network to increase its distribution of Slice, its own lemon-lime juice brand, while Seven-Up will have the backing of the larger group's promotional organisation.

"The addition of Seven-Up International will greatly improve our competitive position overseas for a number of reasons," Mr Robert Beeby, Pepsi-Cola International's president, said yesterday. "It expands our presence in the burgeoning lemon-lime category; it strengthens our network of franchised bottlers; and it will increase the efficiency of our respective manufacturing, distribution and marketing systems."

The acquisition of Seven-Up International comes in a period of consolidation in the soft drinks industry. Coca-Cola, the leading producer in the sector, has also launched a bid for Dr Pepper, although it is by no means certain that this will go through against opposition from the anti-trust authorities. Philip Morris is, in addition, believed to be considering several proposals for the purchase of the US business of Seven-Up.

Zanussi in profit after five years of losses

BY ALAN FRIEDMAN IN MILAN

ZANUSSI the leading Italian home appliance maker which is controlled by Electrolux of Sweden, emerged from five years of losses with a L5.2bn ($3.5m) net profit in the first four months of this year. The result compares with a L24bn loss in the first four months of 1985 and Zanussi is now predicting a 1986 full year profit of "several tens of billions of lire" against the 1985 deficit of L32.4bn.

Under the management of Mr Gianmario Rossignolo, the Zanussi chairman installed in late 1984 by Electrolux, the Pordenone-based white goods maker has been undergoing significant rationalisation and restructuring. Zanussi has embarked on a programme of factory automation which is part of L340bn of capital investments over the next three years.

Last year Zanussi's L32.4bn loss on sales of L1,677bn already represented an improvement on 1984 losses of L125.9bn (on sales of L1,760bn). For this year Zanussi is predicting a 10 per cent rise in revenues, to L1,845bn.

Apart from capital projects, Zanussi is also following a union-agreed programme of redundancies, which should see the group workforce in Italy down from around 16,000 at the end of last year to 11,000 or 12,000 by 1988.

Hoffmann-La Roche to sell interferon in UK

BY TONY JACKSON IN LONDON

HOFFMANN-LA ROCHE of Switzerland has received official UK clearance to market interferon, its anti-cancer treatment, for the Aids condition Kaposi's sarcoma.

This is Roche's first clearance to sell interferon, a naturally occurring substance mass-produced by biotechnological techniques, in the UK. In June it received clearance in Switzerland for use in treatment of two cancerous conditions, Kaposi's sarcoma and hairy cell leukaemia, and in the US for hairy cell leukaemia only.

Kaposi's sarcoma is the most commonly occurring cancer among Aids victims. Roche said it affected some 30 per cent of patients.

Roche, one of three drug companies around the world engaged in developing interferon commercially, has worked jointly with Genentech, the Californian biotechnology company. Schering Plough of the US has adopted a similar joint approach with Biogen, while the third competitor, Wellcome of the UK, has worked on its own.

Although Roche's licence for treatment of Kaposi's sarcoma is the first granted in the UK for the condition, Roche still lags behind Schering in the total number of interferon licences granted around the world.

Schering has clearance for treatment of Kaposi's sarcoma in Belgium, Ireland, Luxembourg, Colombia, Chile and the Philippines, and for treating hairy cell leukaemia in major markets including the US, the UK and Canada. It also has a scattering of licences for treatment of other rare cancers such as multiple myeloma.

Roche has a licence to treat Kaposi's sarcomc in the UK and Switzerland, and for hairy cell leukaemia in the US and Switzerland.

NL rejects bid offer

NL INDUSTRIES, the US energy group, said its board had unanimously rejected the $15.125 a share tender offer by an affiliate of Mr Harold Simmons, the Texas investor, and voted to spin-off NL Chemicals to NL shareholders on a pro-rata basis, Our Financial Staff writes.

The company said its board believed the Simmons' offer, worth about $940m, substantially undervalued NL. It said the spin-off was designed to achieve for NL stockholders a market valuation which better reflected the value of NL than the Simmons tender offer.

□ SCIENTIFIC-ATLANTA, the US satellite and cable TV equipment business, will report a loss for the fourth quarter and fiscal year ended June 30 as a result of a one-off writedown of about $16m.

INTERN. COMPANIES AND FINANCE

Weak dollar hits Audi in first half

By our Financial Staff

AUDI, part of the West German Volkswagen group, has improved sales to DM 5bn ($2.29bn) in the first half of 1986, against DM 4.9bn a year earlier. Higher domestic sales were offset by lower exports, the group said.

Mr Wolfgang Habbel, managing board chairman, did not give group profit figures for the half year, but said he was "generally satisfied" with developments during the period.

Speaking at the annual meeting, Mr Habbel said "Audi sales in West Germany have picked up significantly in the past months." He cited the 10 per cent rise in domestic deliveries to 82,000 cars in the six months, up from 74,300 cars a year earlier as proof.

But the positive trend at home was not mirrored in markets abroad, he said. Deliveries of new Audi cars in other European countries were 5.5 per cent lower, totalling 69,000 units in the six months, compared with 73,000.

Exports to the US declined as the dollar weakened.

Mr Habbel forecast 1986 sales of "more than DM 10bn" which would be up from the DM 9.5bn of 1985. But he said profit on the year would not surpass the 1985 total of DM 221m.

Dainippon in talks with BASF to buy ink maker

BY DAVID BROWN IN FRANKFURT AND YOKO SHIBATA IN TOKYO

DAINIPPON INK, the Japanese group which recently made a bid for Sun Chemical, the biggest US printing ink producer, may acquire Hartmann, a West German based printing ink company.

It is negotiating with BASF, the big German chemical group, which acquired Hartmann last year following the $1bn takeover of Inmont, a subsidiary of United Technologies of the US.

A formal contract is expected to be signed possibly later this month. The purchase of Hartmann would boost Dainippon's annual printing ink sales to about Y75bn ($466m), making it the world's biggest ink maker, the company said.

Hartmann has several operations in Europe, notably in Germany, Britain, the Netherlands, Sweden, France and Belgium. Its annual sales total about DM 200m.

BASF's acquisition of the Inmont printing ink and paints group gave it a leading position in supplying paints to the US car industry, and set the stage for a strategically important assault on the Japanese market.

Under the terms of a West German Cartel Office ruling, BASF was obliged to dispose of a portion of its Hartmann holding within a specified time frame, as it already had a leading position on the domestic printing inks markets.

Under the terms of the letter of intent, BASF is to keep the Hartmann name and trademark in France, Belgium and Ireland.

BASF increased pre-tax profits by a fifth last year to DM 3.04bn on sales of DM 47.7bn. But this year opened slowly for the group with first quarter profits dipping by 12 per cent as a result of the weak dollar and lower oil prices.

Dallas bank agrees sale of four loss-making units

BY MARY FRINGS IN DALLAS

BANCTEXAS GROUP, the beleaguered Dallas-based bank holding company, which last month signed a letter of intent to sell its six north Texas banks to Mr Gerald J. Ford's investment Group, has reached a further agreement with United Bankers for the sale of its four loss-making Houston banks.

United Bankers is an independent bank group based in Waco, Texas, with nine banks and $767m in assets.

Like Mr Ford's proposal, United's offer is contingent on substantial financial assistance from the Federal Deposit Insurance Corporation, which would then have first claim on the proceeds of the zero-coupon debentures which United would issue to purchase the Houston banks.

The Debentures, which are convertible into United common stock and redeemable after seven years, would have a 15-year maturity and pay 5 per cent interest. Their value would be determined by the four banks' book value at the closing date.

In addition, United would make a second note issue to bring the aggregate capital of the four banks up to the regulatory minimum of $18m.

The deadline for obtaining the approval of state and federal regulators, the Ford group and BancTexas' creditors has been set for July 21.

Philips sets up Swiss compact disc venture

PHILIPS WILL form a joint venture with Willi Studer, of Switzerland, to research professional studio systems based on compact disc (CD) technology, reports AP-DJ from Eindhoven.

The big Dutch electronics maker said it would hold 50 per cent of a new joint-venture with Studer, an electronic concern. The venture would be based in Regensdorf, Switzerland and would be known as Studer & Philips CD Systems.

Philips said the joint venture would develop digital compact disc players and recording equipment for radio, television and sound recording studios.

The Studer joint venture is expected to have an anual turnover of Fl 60m-Fl 70m ($28.5m) by about 1992.

Hudson's Bay plans to tap pension surplus

By Robert Gibbens in Montreal

HUDSONS Bay, Canada's largest department store group, wants to tap its $35m (US$25.4m) in surplus pension fund monies to help pay down its debt.

The company has applied to Ontario's Pension Commission to release the funds. Such rulings usually take about one month. Several other companies have recently made similar applications following restructuring of their businesses and a sharp reduction in manpower.

N. AMERICAN QUARTERLIES

BARNETT BANKS
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	37.8m	30.2m
Net per share	1.12	0.92
Six months		
Revenue	–	–
Net profits	74.3m	60.1m
Net per share	2.21	1.81

CPC INTERNATIONAL
Grocery products, milling

Second quarter	1986 $	1985 $
Revenue	[illegible]	[illegible]
Net profits	66.7m	42.6m
Net per share	[illegible]	[illegible]
Six months		
Revenue	2.2bn	2.1bn
Net profits	95.7m	75.7m
Net per share	1.78	1.55

CERTAINTEED
Building materials

Second quarter	1986 $	1985 $
Revenue	288.1m	291m
Net profits	16.1m	16.5m
Net per share	0.85	0.84
Six months		
Revenue	541.1m	543.9m
Net profits	26.7m	24.7m
Net per share	1.41	1.26

CONSOLIDATED PAPERS
Paper products

Second quarter	1986 $	1985 $
Revenue	165.2m	187.2m
Net profits	24.9m	28.3m
Net per share	1.14	1.26
Six months		
Revenue	328.9m	372.4m
Net profits	46.3m	56.7m
Net per share	2.22	2.61

DICKENSON MINES
Mines

Six months	1986 C$	1985 C$
Revenue	230m	385m
Net profits	10.41m	31.67m
Net per share	†0.16	0.47

†Loss after preferred dividends

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Largest US mortgage lender

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	47.4m	11.1m
Net per share	0.63	0.16
Six months		
Revenue	–	–
Net profits	81.8m	†8.2m
Net per share	1.10	–

†Loss

FIRST BANK SYSTEM
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	49.66m	41.9m
Net per share	1.67	1.42
Six months		
Revenue	–	–
Net profits	96.19m	78.96m
Net per share	3.26	2.69

LOTUS DEVELOPMENT
Computer software

Second quarter	1986 $	1985 $
Revenue	66.2m	59.2m
Net profits	11.6m	10.7m
Net per share	0.75	0.65
Six months		
Revenue	135.5m	104m
Net profits	23.2m	20.4m
Net per share	1.44	1.22

PEOPLES JEWELLERS
Retail jewellers

Nine months	1985-86 C$	1984-85 C$
Revenue	142.5m	130m
Net profit	†1.01m	8m
Net per share	0.12	1.15

†After $7.4m writeoff on Zale

MARYLAND NATIONAL
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	22.8m	17.5m
Net per share	1.23	0.96
Six months		
Revenue	–	–
Net profits	43.8m	33.5m
Net per share	2.39	1.95

NORSTAR BANCORP
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	[illegible]	24.07m
Net per share	0.69	0.65
Six months		
Revenue	–	–
Net profits	50.18m	45.19m
Net per share	1.37	1.22

SOUTHEAST BANKING
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	21.2m	10.2m
Net per share	1.11	0.49
Six months		
Revenue	–	–
Net profits	40.8m	25.9m
Net per share	2.17	1.37

SQUARE D
Electrical equipment

Second quarter	1986 $	1985 $
Revenue	356.5m	335.8m
Net profits	24.64m	22.35m
Net per share	0.85	0.78
Six months		
Revenue	690.6m	664.9m
Net profits	45.68m	47.11m
Net per share	1.58	1.64

SHERWIN-WILLIAMS
Paints

Second quarter	1986 $	1985 $
Revenue	596.4m	605.0m
Net profits	30.6m	26.5m
Net per share	0.65	0.62
Six months		
Revenue	1.1bn	1.09bn
Net profits	37.4m	34.2m
Net per share	0.80	0.74

THRIFTY CORP.
Drugstores

Third quarter	1985-86 $	1984-85 $
Revenue	364.3m	341.9m
Net profits	6.01m	5.63m
Net per share	0.29	0.28
Nine months		
Revenue	1.1bn	1.04bn
Net profits	25.04m	23.52m
Net per share	1.24	1.18

UNITED TELECOMMUNICATIONS
Telephone system

Second quarter	1986 $	1985 $
Revenue	816.8m	772.1m
Net profits	56.25m	52.74m
Net per share	0.57	0.55
Six months		
Revenue	1.61bn	1.52bn
Net profits	102.86m	111.72m
Net per share	1.04	1.20

WHIRLPOOL
Household appliances

Second quarter	1986 $	1985 $
Revenue	1.06bn	967.4m
Net profits	82.4m	48.9m
Net per share	1.42	1.34
Six months		
Revenue	1.96bn	1.76bn
Net profits	101.55m	87.82m
Net per share	2.76	2.40

BHP's earnings top A$1bn mark

BY MARK WESTFIELD IN SYDNEY

BROKEN HILL PROPRIETARY (BHP), Australia's largest company, has become the country's first to achieve annual net profits of more than A$1bn (US$638m), although it took extraordinary gains of A$34.7m to nudge earnings past this threshold.

Expectations generated during the exhaustive takeover bid for BHP by Mr Robert Holmes à Court, the Perth entrepreneur, were for an earnings figure comfortably exceeding A$1bn.

However, a sharp downturn in the final quarter result, in particular from its petroleum division, produced net profits for the year to May of A$988.2m, after minority interests but excluding the extraordinary income. This still represented a substantial 31.3 per cent increase on last year's performance of A$752.6m.

BHP's net profit before deducting minority interests and excluding the extraordinary gain was A$1.008bn, on a 19.7 per cent rise in sales to A$9.5bn.

Earnings were hindered by a 26.3 per cent tax increase to A$847.42m, a 21 per cent rise in depreciation to A$581.18m, and a 14 per cent rise in interest costs to A$318.27m.

But the main reason for the shortcoming was a final quarter result for the year which fell 8 per cent below the figure being confidently predicted during the heat of Mr Holmes à Court's partial bid four months ago.

The company made A$180.4m in the quarter, compared with the A$196.2m expected.

BHP Petroleum, the oil and gas division, earned a profit in the quarter of A$37m—A$6m less than predicted and 61 per cent lower than the previous comparative figure.

Mr Brian Loton, managing director, was relaxed and affable after the traumas of the bid by Mr Holmes à Court's Bell Resources and a searching inquiry by the National Companies and Securities Commission into BHP's A$1bn purchase of a strategic cross-holding in Elders IXL through redeemable preference shares.

He said the poor fourth quarter result was due almost exclusively to a higher than expected value for the Australian dollar between March and the end of May.

"The period was not representative," Mr Loton said, hinting that the value of the dollar during that period, of over 70 US cents, was too high for company which earns 50 per cent of its income in US dollars.

Mr Loton spoke of the possible addition of a fourth operating arm to its three main businesses of petroleum, minerals and steel, although he declined to specify what this might be.

He did reveal that the company planned to list its shares on the New York Stock Exchange in order to broaden its shareholder base. He said a "small" share placement might be made, but that was the only share issue being contemplated.

He added that the increase in the company's borrowings from A$2.6bn to A$5.4bn was "quite acceptable" because the gearing ratio was still on the conservative side.

Nedbank acts to rescue Triomf Fertilizer

BY JIM JONES IN JOHANNESBURG

NEDBANK, South Africa's third largest banking group, has taken emergency action to save Triomf Fertilizer, the troubled company which provides about one-fifth of domestic fertiliser requirements.

Triomf as a whole owes Nedbank about R350m ($135.5m). About one-third of this amount, which is owed by Tiomf's wholly-owned Richards Bay subsidiary, is to be written off and Nedbank is to convert a large part of the remainder into permanent capital.

As a result the bank will hold 75.1 per cent of Triomf's voting shares, although Mr Gerry Muller, Nedbank's deputy chairman, was yesterday unable to give precise details of the financial restructuring proposals.

The Richards Bay subsidiary was placed in provisional liquidation yesterday and Triomf will in future operate only its Potchefstroom plant which sells a range of fertilisers to South African farmers.

The plant at Richards Bay, which has the capacity to make an annual 400,000 tonnes of phosphoric acid and di-ammonium phosphate (DAP) for export markets, had been operating well below full capacity for over a year in response to poor world demand for phosphate fertilisers.

It was returned to full capacity operation in March this year, but this served merely to enhance Triomf's cash flow as company executives admitted that the plant remained unprofitable despite the considerable exchange rate advantages of a weak rand.

Last year Triomf suffered a loss of about R50m, although precise figures were not disclosed.

In May this year Nedbank refinanced itself with a R345m rights issue and said at the time that about R200m was needed to provide against unspecified doubtful debts.

Forward gold sales boost Rand Mines group profits

BY KENNETH MARSTON, MINING EDITOR

THE SOUTH AFRICAN gold producers in the Rand Mines group—with the exception of the veteran East Rand Proprietary Mines—have reported higher earnings for the June quarter. Helped by forward gold sales, the average bullion prices received have increased despite the lower domestic prices obtaining in the period.

Blyvoor has raised its gold production with the aid of increased milling of ore drawn from the tribute areas on the Driefontein boundary. The total ore milled in the latest quarter comes out at 589,000 tonnes, against 498,000 tonnes in the previous three months, after the loss of 41,000 tonnes resulting from a wildcat strike.

GOLD MINE NET PROFITS

	June qtr R000	Mar qtr R000	Dec qtr R000
Blyvooruitzicht ...	18,402	14,471	18,229
Durban Deep	5,212	3,002	†9,357
East Rand Pty ...	*‡1,486	*4,939	†3,937
Harmony	61,253	47,876	59,949

* After receipt of State assistance. † State assistance overclaimed. ‡ Loss.

Harmony raised output in the June quarter and net profits benefited from a reduced tax charge arising from an increase in tax-offsetting capital expenditure. ERPM, however, suffered from a fall in gold production as a result of a lower grade of ore milled and despite state assistance, reports a net loss for the quarter.

Former OTB chief jailed for three years

By our Financial Staff

HONG KONG'S High Court yesterday sentenced Mr Patrick Chang, former managing director of Overseas Trust Bank (OTB), to three years in jail for conspiring to defraud the bank, which was subsequently rescued in a government bail-out in June 1985.

Last Friday Mr Chang pleaded guilty to the charges.

Meanwhile OTB is itself taking part in the rescue of International Trust and Finance (ITF), a troubled Thailand finance house. It is to provide 150m baht (US$5.73m) and will own 49 per cent of the reshaped ITF, in which it previously held 22 per cent.

INTL. COMPANIES and FINANCE

Denmark plans $1bn Europaper programme

By Peter Montagnon, Euromarkets Correspondent

DENMARK PLANS to launch a $1bn commercial paper programme in the Euromarkets soon to complement its existing short-term borrowing facility in the US, Mr Nils Erik Sorensen, a senior Finance Ministry official, said in Copenhagen.

The Ministry has drawn up a shortlist of possible dealers and actual sales of paper should begin within the next two months.

The aim of the programme would be to add a new borrowing option, allowing Denmark to tap the Euromarket at times when it is cheaper than the US commercial paper market.

Access to short-term funds also adds flexibility to borrowing abroad by enabling Denmark to wait until the right market conditions materialise before launching longer-term capital market issues.

Denmark expects to maintain about $200m to $300m outstanding in Eurocommercial paper to establish its standing with investors and thereafter to issue more depending on need. Average outstandings on its US programme, for which Merrill Lynch and Morgan Guaranty are dealers, have been about $300m since it was launched last August although peak borrowings have been some $700m, Mr Sorensen said.

The programme will neither be rated nor specifically backed up by any medium-term standby credits. Effective back-up is already available through the $1bn facility arranged for Denmark by Manufacturers Hanover in 1984 as well as net official central bank reserves of DKr 38bn and the central bank's credit facilities under the European Monetary System arrangements.

The plan forms part of a higher profile established by Denmark on the international capital markets this year, partly because of a slowdown in foreign borrowing by the private sector which ran up net capital imports of DKr 37bn last year.

Mr Sorensen said the Kingdom now expects gross foreign borrowing to total some DKr 27bn this year of which DKr 11bn was raised in the first half. This figure includes planned early repayments of existing debt of DKr 11.3bn.

One deal that is likely to be repaid early is the $500m floating rate note led by Merrill Lynch in 1983 and carrying an interest margin of $\frac{3}{16}$ per cent over London interbank offered rates. This deal could be refinanced more cheaply either through the issue of a new floating-rate note or by borrowing in fixed-rate markets and swapping the proceeds, he said.

Rush of issues in short-term sterling paper

By Our Euromarkets Correspondent

UNIGATE, the food group, and Dixons, the High Street retailer, both announced £100m commercial paper programmes yesterday as a new flurry of activity hit the short-term sterling securities market.

Separately Chemical Bank said it had been mandated to arrange a £100m certificate of deposit programme for Tokai Bank believed to be the first such sterling facility for a Japanese bank.

Unigate said it sold £12m in one-month paper under its new programme, at a net cost to itself ranging from Limean (the mean of the bid and offered rate for sterling deposits) to Limean less 2 basis points. It has appointed Lloyds Merchant Bank, NatWest County and Merrill Lynch to act as dealers.

Dixons, whose dealers are Barclays, Chase, Citicorp and UBS (Securities), expects to start issuing paper within the next two weeks. It will not seek a rating for its paper, unlike Unigate which has specifically obtained the top A1-P1 rating for its issue from Moody's and Standard & Poors, the two US credit-rating agencies.

Mr Stephen Crompton, Unigate group treasurer, said his company was a firm believer in the rating system. "No A1-rated paper has ever defaulted . . . We would have to pay more without the rating," he said.

Of the 10 companies to have issued sterling commercial paper so far, only Unigate, Redland and PHH, the US transport concern have ratings from both the leading US agencies. The only other rated issue is Royal Insurance which has a P1-rating from Moody's and is awaiting shortly a rating from Standard & Poor's.

In a parallel move Unigate is launching a $30m commercial paper programme in its own name in the US market. This will replace an early $60m programme operated with the support of a letter of credit from Barclays which is being wound down.

Norway back to market with $500m fixed-rate deal

BY OUR EUROMARKETS STAFF

NORWAY, its balance of payments hit by falling oil prices and an over-heated economy, returned to the Eurobond market yesterday for the first time since 1979 with a $500m fixed-rate issue on terms seen as aggressive by the market.

Merrill Lynch Capital Markets said it launched the issue at 25 basis points over US Treasury yields, net of fees. The five-year bullet bonds have a coupon of $7\frac{1}{4}$ per cent and were priced at $101\frac{1}{4}$. Late in the day, they were bid at a discount to the issue price equal to or slightly wider than the $1\frac{7}{8}$ per cent total commissions.

The terms were the tightest in the market for some time, and some dealers felt the spread over Treasuries should have been about 10 basis points higher. Nevertheless, the issue had appeal as the only Norwegian sovereign paper in the market. Merrill said liquidity would be aided by the agreement of co-managers to quote the bonds with a quarter-point spread.

The issue was being swapped into floating-rate dollars to obtain funding below London interbank offered rates (Libor). Norway has provision in its budget to raise an additional $390m this year.

Prices of dollar straight Eurobonds were little changed, but sterling Eurobonds suffered from the pound's weakness.

Renfe, Spain's railway system, launched its first bonds without a government guarantee. The DM 625m floating-rate issue had long been expected in West Germany. Led by Morgan Guaranty, the issue has a $\frac{1}{16}$ spread over Libor and was quoted well within its total fees. It has a 10-year maturity and is callable after five years.

Also in Germany, Hoesch International Finance made a DM 200m 10-year issue with equity warrants and an indicated coupon of $2\frac{1}{4}$ per cent. Led by Deutsche Bank, it carries the guarantee of the parent steelmaker. German bond prices recouped early losses to close unchanged. In Switzerland, prices were also unchanged.

Kumagai Gumi, the Japanese construction group, raised $100m with a seven-year bonds-with-warrants deal guaranteed by Sumitomo Bank and led by Daiwa Europe. It has an indicated $3\frac{1}{4}$ per cent coupon.

Burlington Industries, the US textile concern, issued $75m of convertible bonds, led by Kidder Peabody International, with a 15-year maturity, a 7 to $7\frac{1}{2}$ per cent indicated coupon and a conversion premium of 22 to 26 per cent.

Inter-dealer audit system agreed

BY ALEXANDER NICOLL

A GROUP of inter-dealer brokers in the Eurobond markets have agreed in principle to a system of independent audits which would ensure that they trade only between dealers, and not with end-investors.

A projosal for independent audits was put on Friday at a meeting of 120 market-making firms by Mr Stanley Ross, a managing director of Deutsche Bank Capital Markets. It was strongly backed and substituted for a proposal that identities of parties to deals done through brokers are disclosed.

After the meeting, the new suggestion was outlined to four broking firms, Gintel, Mabon Nugent, MKI and Purcell Graham. They agreed in principle and said they would appoint a representative who would then be involved in the discussions on exactly how an auditing system would work.

If the proposal is enacted, it would represent a breakthrough which could defuse a decade-old controversy in the Eurobond market surrounding the activities of brokers. Some traders feel — and brokers strongly deny—that brokers make prices to their customers.

Mr Tim Smith, managing director of Purcell Graham, said yesterday: "I'm glad that we're moving towards a resolution of brokers' position in the market." He also said that "dealers who suspect us of dealing with end-customers might be disappointed."

● The International Primary Market Association, which groups major Eurobond issuing houses, has clamped down on lead managers who recruit co-managers on the basis of pre-agreement to repurchase or reduce underwriting obligations. It has adopted a recommendation to its members that the practice is "inappropriate," saying it "may create a misleading appearance of broad market acceptance where in fact the issue may suffer from illiquidity or a concentration of bonds."

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Cash lessons of a £173m buyout

By Tony Jackson

LARRY TAPP, the head of the biggest management buyout ever seen outside the US, reckons he could set up in business as a consultant. "There are so many people thinking about leveraged buyouts of their own who want my advice," he says.

Nine months ago, Mr Tapp and a team of 110 managers completed the £173m buyout of Lawson Mardon, one of Europe's leading packaging companies, from the multinational BAT Industries. Management buyouts were still something of a novelty in the UK, despite such pioneering examples as the £54m National Freight buyout three years before. The pace has since quickened, with both industrial managers and financial institutions busily informing themselves on how the process works.

BAT's auction of the company attracted bids from big rivals in the packaging field, including Metal Box and Jefferson Smurfit. Mardon's existing management beat the competition, and is now grappling with the consequences.

Mr Tapp and his colleagues are in no doubt about the main priority. "Cash flow," he says. "In a leveraged buyout, if you can't generate cash, it can't happen."

The cash raised came to a formidable C$650m (£340m), almost wholly from Canadian sources. Given that Mardon was a UK-based subsidiary of the UK-based BAT, the fact that the chairman, chief executive and major shareholders of the new group are all Canadian seems to say something about acceptance of buyouts on this side of the Atlantic.

Mr Tapp was previously head of Mardon's Canadian subsidiary Lawson and Jones, which accounted for only 27 per cent of Mardon's worldwide sales of just over £600m.

"At the end of 1983," he says, "we began to get inklings—on management training conferences, for instance—that BAT was going to divest. In June and July of 1984, we ran some numbers through on the feasibility of a strictly Lawson & Jones buyout."

In January last year, that plan collapsed. Mr John Worlidge, BAT's main board director in charge of Mardon, rang Mr Tapp to tell him the business was to be sold as a single entity.

"We were disappointed," Mr Tapp says, "but we still came over to London to talk about it with Lazards, the merchant bank handling the sale. Before doing that, I had contacted some people in Canada to ask for support."

Mr Tapp's first contact was Charles Parmalee, a Canadian friend whom he had met 25 years before — at a Toronto University night class on mergers and acquisitions. Mr Parmalee was a director of Lawson & Jones, and also on the board of Roman Corporation, a Canadian mining company run by a prominent Canadian entrepreneur, Mr Stephen Roman.

Mr Tapp had decided to go for the whole of Mardon. "With one jump," Mr Parmalee says, "he was tripling the scale of what he was trying to do. He called me in Athens to see if Roman would back him."

Roman, which eventually took a 49 per cent stake in the business, is a public company. When Mr Tapp came to grips with BAT, this led to a problem. "We couldn't let people know Roman was involved," Mr Tapp says. "BAT wanted to know who our equity partners were. I said OK, provided I got a letter from Pat Sheehy (BAT's chairman), saying it was confidential. I never got the letter, so we never told them."

There was also the matter of convincing BAT that the consortium could come up with the cash. Mr Tapp had engaged the services of Merrill Lynch, the US broking house, and Citibank, acknowledged as one of the North American experts in leveraged buyouts. "I brought the president of Citibank Canada in to BAT to tell them the cash was there," Mr Tapp says. "That gave us credibility."

In the UK as in Canada, a leveraged buyout on this scale was a novelty. Mr Tapp brought 45 of Mardon's UK managers into the buyout, to add to the 65 he had marshalled in North America. UK investors, though, were a different matter.

Mr Larry Tapp of Lawson Mardon: "So many people want my advice"

"We talked to potential investors in the UK," Mr Tapp says, "but they didn't really know what it was about. Leveraged buyouts were something they'd heard of only in a US context."

Once the deal was through, there was an immediate concentration on the debt mountain, and ways of reducing and rescheduling it. Of the C$650m handed over at the end of last August, $200m has already been paid off or converted into equity and fixed rate debt.

Mr Howard Webber, head of the UK end of the company, says: "Initially, all our borrowing was variable rate. Any management buyout is vulnerable to a rise in interest rates, and refinancing on both sides of the Atlantic was a priority."

Next came the question of generating cash flow to drive the debt down. This meant, Mr Webber says, working within tighter financial constraints — "and BAT wasn't loose by any standards."

Mr Tapp is quite clear on where the extra tightness comes from. "When you've got 110 people who've borrowed and mortgaged everything to buy stock, it focuses their attention. My secretary knows about cash flow these days, and we all spend a lot of time understanding the components of working capital and which levers to pull."

As another way of reducing debt, several bits of the business have already been sold off—one, suitably enough, to yet another management buyout. Mr Webber says: "You have to get rid of the peripheral bits. When your capital resource is scarce, you do not want to spread it too thinly. You have to concentrate it in businesses which will generate good profits growth."

Scope for squeezing cash out of the business was limited by the previous efficiency of the BAT regime. "There was not a layer of overheads we could take out," Mr Webber says. "Any services we had from BAT we paid for, and if we did not like them we turned them down."

In any case, cash generation is not the only objective, merely the most pressing at this early stage. Beyond that lies a separate objective — bringing Lawson Mardon to the stock market. As Mr Webber says: "To go public it's not enough just to screw down on cash—you need a track record on profits, and you have to build a case for that record continuing. That means not just a good portfolio of businesses, but good new products in the pipeline."

Mr Tapp and Mr Parmalee concede that the question of flotation is a delicate one. "My objective is to have the balance sheet in shape by 1988," Mr Tapp says, "but going public depends totally on the market. We may be ready in 1988, and the market not."

Mr Parmalee says: "It's a question of when it becomes sensible to widen the equity base. For Roman Corporation, there isn't any urgency to sell. I don't think any of the major investors went into this for a quick flip—there would have been easier things to do."

All that, in any case, is two years away. Present preoccupations are more short-term. If Larry Tapp were a buyout consultant, he is in no doubt about the advice he would give to clients. "The one thing I'd tell them is—they've got to generate cash."

Businesses for Sale

GOLD FIELDS COAL LIMITED

(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP

(Registration No. 01/01124/06)

ISSUED CAPITAL: 16 862 721 shares of 50 cents each

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Six months ended 30 June 1986
OPERATING RESULTS (Tons 000)			
Total mined	2 385	2 781	5 166
Tons sold	2 179	2 290	4 469
FINANCIAL RESULTS (R000)			
Sales and other revenues	51 743	52 690	104 433
Cost of sales	37 915	39 004	76 919
Profit before tax	13 828	13 686	27 514
Tax	7 274	6 662	13 936
PROFIT AFTER TAX	6 554	7 024	13 578
Capital expenditure	1 284	2 627	3 911
Dividend	8 431	—	8 431

NOTES:

1. **Capital Expenditure:** The unexpended balance of authorised capital expenditure at 30 June 1986 was R13.2 million.
2. **Dividends:** A dividend (No. 146) of 50 cents per share declared on 12 June 1986 is payable to members on or about 6 August 1986.

On behalf of the board

P. R. JANISCH }
A. M. D. GNODDE } Directors

14 July 1986

Coloroll wins battle for Potteries

BY DAVID GOODHART

Coloroll, the acquisitive home furnishings group, has finally won control of Staffordshire Potteries, the ceramics company it first bid for last March.

Coloroll won agreement from the Staffordshire board after a marked improvement to its "final" offer o flast April and also yesterday announced a one-for-four rights issue to raise £12.9m.

The offer of four new Coloroll shares for every five Staffordshire shares values each Staffordshire share at about 156p and the whole company at £15.1m. However, after the last bid attempt, Coloroll was left with about 48.5 per cent of the Staffordshire share capital for which it paid an average of 143p a share—the total cost of winning control was therefore £13.8m.

Nevertheless, Staffordshire has certainly squeezed a significant increase out of Coloroll. The final offer in April valued each share at about 135p and the cash alternative was 133p. Yesterday's cash alternative was 154p.

The earlier stages of the bid were surrounded in acrimony. Coloroll appeared to have won agreement from Staffordshire to its first bid in March only for that deal to fall apart when some of the Staffordshire board complained of the domineering attitude of Coloroll's senior managers.

Although Coloroll—a fast-growing and popular company—had been expected to win control after the offer was increased in April the Staffordshire board just managed to hold them off.

Subsequently Coloroll made clear it was not going to give up easily and as well as continuing to buy Staffordshire shares acquired one of its main rivals in the ceramics field, Biltons, for £5.1m.

Mr John Ashcroft, the Coloroll chairman, said yesterday: "I think Staffordshire finally realised we were serious about ceramics after the Biltons acquisition." He added that—despite the bad feeling in the early part of the battle—he was looking forward to working with all the Staffordshire staff.

Coloroll has already received irrevocable undertakings from enough Staffordshire shareholders to take its holding to over 50 per cent.

The Coloroll share capital is being expanded by over one-third taking into account the 7.8m shares from the rights issue and the 4m that may be issued for the latest take-over. price was 170p. Coloroll' share price yesterday slipped 2p to 201p, Staffordshire rose 10p to 153p.

Approaches to some United Real members

By Charles Batchelor

United Real Property Trust, the property investment and development company, said some of its shareholders had received approaches to sell their shares which might lead to an offer being made for the entire company.

United's shares rose 15p yesterday to 840p, to value the group at £100.8m.

It made a virtually unchanged pre-tax profit of £2.57m in the six months ended October 1985.

United owns offices in London, Birmingham and Sydney, Australia.

The company's main shareholders are Samadar Holdings SA (51 per cent), representing the holding of the former chairman Mr Maurice Wohl; L. A. Wheeler, L R. A. McCallum and P. G. Brown jointly as trustees (13 per cent); and the Co-operative Insurance Society with 10 per cent.

Questel

First-half pre-tax profits up from £335,000 to £459,000 are reported by Questel, the USM designer and maker of telecommunication systems. For the half year to end April, turnover rose to £1.73m (£1m). Earnings were 6.4p (4.5p) and there is an interim dividend of 2.2p net. Last year there was a single payment of 2.2p.

Hampson Industries has contracted to buy for a maximum $886,536 (£592,704) cash between 93 and 94.6 per cent of I. S. Parts International, a New Jersey based maker and distributor of machinery parts to the glass container industry.

Laura Ashley ADR facility

BY CHARLES BATCHELOR

Laura Ashley, the fashion and design group, has established an American Depositary Receipt (ADR) facility to make it easier for private US investors to deal in its shares.

The company, which obtained a full London stock market listing last November, is believed to be the first British group to list its shares in ADR form since the British government proposed a tax-initially 5 per cent but later reduced to 1½ per cent on ARDs.

Laura Ashley already has about 1,000 US shareholders, mainly institutions but wants to win more private US shareholders, Mr Peter Phillips, finance director, said. The company makes 42 per cent of its its and has more than 90 outlets in the US.

The ADRs will be traded on the over-the-counter (Nasdaq) market. Each ADR will represent five shares. The depositary agent is Irving Trust Company of New York.

About 600 non-US companies have their shares listed in ADR form. ADRs are priced in dollars and give US investors a convenient means of owning shares in overseas company. They allow non-US companies to comply with regulations requiring foreign companies which want their share traded on a US Stock Exchange to have a place of transfer in the US. This is provided by the bank issuing the ADRs.

Leading overseas companies with their shares listed in ADR form include Philips Lamps, Glaxo Nissan and Reuters Holdings.

Myson strikes deal and lifts terms for Biddle

BY LIONEL BARBER

Myson, the UK heating and ventilation engineer, has raised its offer for Biddle Holdings, the lifts and heating group, to £7.4m with the support of a French company.

Myson has agreed to offer Montenay SA of France an option to buy Biddle's lift subsidiary, Bennie. The agreement depends on Myson's offer going unconditional.

The Biddle battle between Kone and Myson has flared for the past six weeks. Earlier this month Kone matched Myson's £6.8m offer.

Now, Montenay, a large maintenance group and subsidiary of Compagnie des Eaux, is in effect waging a battle with Kone over Biddle's lift business.

Myson only wants the heating and air conditioning business. Yet Kone has agreed to sell it to Mr Anthony Biddle, a Biddle director and son of the chairman.

The proposed sale by Kone to Biddle interests (who control a combined 54.9 per cent of the company) is subject to approval by Biddle shareholders at a meeting on Friday this week.

Myson advisers, Morgan Grenfell, are offering 185p cash on behalf of Myson for every ordinary share in Biddle. The preference offer is subject to the offer going unconditional

Some members of the Biddle family have agreed to sell their shares to Hambros Bank, Kone's adviser, for 160p per share. Hambros will vote these shares in favour of the Kone bid.

Myson yesterday urged Biddle shareholders to vote against the proposed sale of the heating business. Biddle shares rose 8p to close at 178p.

TV-am share sale made £7m for Utd. News.

United Newspapers said yesterday that the sale of its holding of 11m shares in TV-am in last week's flotation had produced an increase in net assets of about £7.2m, after providing for an estimated £3m tax liability.

The shares were sold at 130p a share, raising £13.9m after expenses but before capital gains tax. The shares were represented in United's balance sheet on December 31 at about £3.6m.

Rank deal approved

The Government has decided, in accordance with the advice of the Office of Fair Trading, not to refer to the Monopolies Commission the agreed acquisition by Rank Organisation of Ladbroke Group's 36 bingo halls and 42 high street amusement centres.

Greene King at a record £11.27m

DESPITE POOR weather earlier this year, Greene King & Sons, the Suffolk-based brewer, saw sales volumes of most of its draught beers improve during the 53 weeks ended May 4, 1986.

As a result, profits for the period rose to a record £11.27m pre-tax, an improvement of £1.62m over the 1984-1985 figures which covered 52 weeks.

Sales volume increases for both IPA bitter and Abbot Ale, the group's best selling brands, were particularly marked and the Harp and Kronenbourg lager ranges continued to sell well.

The directors said that this confirmed the confidence they have in the 25 per cent shareholding in the Harp Lager Company.

They pointed out that the volume of beer sold by the group was slightly higher on a 52-week basis than in the previous year, compared with a fall in beer sales nationally.

Turnover for the 53 weeks pushed ahead to £90.16m (£80.23m). Tax accounted for £3.91m (£3.72m) and left net profits at £7.36m, compared with a previous £5.93m.

Earnings worked through at 17.7p (14.3p) and a final dividend of 3.89p (3.23p) raises the total from 4.87p to 5.6p net per 25p share.

Available earnings emerged at £7.96m (£6.35m) after taking in minorities this time of £12,000 and extraordinary credits of £583,000 against £2.42m last time.

At year-end, the group's balance sheet was described as strong. The directors were planning capital expenditure of £10m in the current year.

The Butterfly Hotels joint venture is currently building premises at Bury St Edmunds and King's Lynn.

● comment

Stripping free an extra week, Greene King's profits rose by 14½ per cent last year. That may seem a reasonable enough rate of progression with the latest inflation figures of well under 3 per cent still ringing in the ears but it is not the sort of performance that can arrest the relative decline of the shares in any meaningful way. Since the price touched over 260p in December 1983 the stock has underperformed the market by over 60 per cent. Not that Greene King is doing anything particularly wrong, it is simply that what it is doing does not fire investor imagination. Volume is creeping up with the help of stronger lager sales and there is a continuous refurbishment programme. Solid stuff, but shareholders may not be quite content with the company feeding several million pounds into Butterfly Hotels, where ownership is just 30 per cent, as the obvious area of diversification. A p/e of under 12 historic at 210p argues that even the bid hopes have gone flat.

United Leasing rights as profits decline to £4.4m

BY RICHARD TOMKINS

United Leasing, the computer leasing company which two weeks ago warned of a shortfall in profits for the year to last March, yesterday reported £4.4m pre-tax against £5.3m the year before and announced an £8.2m rights issue to finance expansion.

The out-turn compared with profits of £7m to £7.5m which the City had predicted at the interim stage.

Group turnover rose from £176.3m to £242.4m, but United's chairman, Mr Parry Mitchell, said profits had been hit by a lower-than-expected contribution from Unilease Computer Corporation, United's US offshoot.

Deliveries in the last three months of the financial year—normally United's best trading period—were hit by delays caused by new product and pricing announcements from IBM in February.

However, the delayed deliveries had now been completed and had contributed to a particularly strong first quarter in the current year, Mr Mitchell said.

Losses of £1.4m were incurred by United Business Systems, the UK microcomputer distribution company, but these were predicted at the interim stage and Mr Mitchell said the subsidiary had begun to break even in the last quarter.

The rights issue is of £8.67m nominal of 9½ per cent convertible subordinated unsecured loan stock 1998-2001 at par in the proportion of £6 nominal for every 10 ordinary shares held.

The issue will raise £8.2m net, of which about £4m will be ploughed into financing the expansion of Unilease Computer. The rest will used for the development of the UK and European activities.

Mr Mitchell said Unilease had made particularly heavy cash demands on the group and options were being studied for the subsidiary's future. The possibilities included some form of joint venture, an independent flotation, or disposal of the group's controlling interest.

For the current year, Mr Mitchell said the fundamental business and structure of United Leasing were sound and that the group was in a much more favourable position now than it was at the same time last year.

The rights issue is underwritten by Barclays de Zoete Wedd and Henry Ansbacher, with Phillips & Drew as brokers.

● comment

Neither United's rights issue nor the form it took came as any surprise. With gearing around the 90 per cent level there was a limit to how much more credit it could find to finance any further expansion at home or overseas, and the convertible offering represents an effective price of 182p a share against the 150p at best they could have hoped for through an ordinary rights. Quite who is going to take the stock up is another matter: United's share down 10p at 165p are being handled like grenades without pins by fund managers at present and it is hard to imagine them taking on more stock however attractive the terms. On United's fundamental trading, the doubling of residuals to £12m does not increase confidence but most attention is centred on the group's plans to hive off part of its US business. The most likely scenario appears to be a joint venture with a US bank, a move which could release cash enough to support United's thesis that the value put on the whole severely underrates its parts.

Ellis & Everard rises 6% after exports boost

WITH THE UK merchanting activities remaining the backbone of the Ellis & Everard chemical group, and the exports division enjoying an excellent year, pre-tax profits for the year ended April 30 1986 rose by 6 per cent, from £3.52m to £3.73m.

Earnings advanced from 11.4p to 14.2p. Adjusting for a scrip issue, the dividend is raised to 6.5p net (5.91p), with a final of 4p. For the sixth successive year a one-for-10 scrip issue will be made.

Turnover in the year went up from £88.3m to £91.9m. Cost of sales, distribution and administration expenses all showed increases, while the net interest payable was cut.

In the US, American Industrial Chemical Corporation traded strongly against the background of falling chemical prices, although the weaker dollar resulting in a lower sterling contribution.

Prillaman opened a new depot at Charlotte, North Carolina, which got off to a successful start.

Tax took £1.36m (£1.61m) and minorities £51,000 (£64,000).

On the last day of the financial year Ellis and Everard acquired Cargo Fleet Chemicals (Holdings) and its profits would be consolidated from May 1 1986. The integration of Cargo was proceeding, and the resultant benefits would accrue during the current year.

● comment

Ellis and Everard has a one-fifth drop in its tax charge to thank for earnings growth of 25 per cent in an otherwise flat year. The drop was two-thirds due to the Chancellor's lowering of corporation rates and a third due to the exploitation of "double dip" tax arrangements on US loans. While UK chemical merchanting showing modest improvement and is looking to gain market share in a mature market, the US operations have been more mixed. AICC, fully-owned as of May 1, has successfully completed its earn out but at Prillaman there could be costs involved in any reshaping of the business into the E and E mold. Both units were effected by an increase in insurance premiums post Bhopal, up to $800,000 from $250,000 in 1984-1985, and running up to over $1m this year. For 1986-87 the City is expecting £5.5m—which suggests another largely pedestrian performance as £1.5m should come from Cargo Fleet Chemicals, acquired in April for £10m. With the tax rate falling to 35 per cent this year, earnings should show another 20 per cent plus leap and the prospective p/e is under 12. E and E continues to live comfortably in the shadow of ICI (largest supplier, customer and shareholder) and the lack of excitement over the shares, 204p unchanged, perhaps reflects this.

Textured Jersey hits £1.1m

Textured Jersey continued to progress during the second half of the 1985-86 year and for the 12 months raised its profits from £855,000 to £1.11m pre-tax.

The dividend is being stepped up by 1p to 6p net, the final being 3.75p.

Demand for knitted fabrics, particularly those incorporating cotton, continued to grow and the company responded by building a major extension to its riverside dyehouse in Leicester.

Additional plant and equipment will also be installed in the coming months.

The directors pointed out, however, that Textured Jersey was unlikely to benefit from any increase in production or sales until the final quarter of the current year.

The past year (to April 30 1986) saw turnover improve from £15.72m to £17.48m and gross profits by £533,000 to £1.97m.

Tax accounted for £433,000 (£315,000) and left earnings per 10p share at 17.57p, against a previous 13.49p.

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS	131xd	—	10.0	7.6	—	—
125	43	Airsprung Group	120	—	7.6	6.3	7.5	6.7
46	28	Armitage and Rhodes	34	—	4.3	12.6	4.2	6.1
180	108	Bardon Hill	180xd	+2	4.6	2.6	20.5	18.8
78	42	Bray Technologies	78	—	4.3	5.5	9.3	8.5
201	75	CCL Ordinary	75	—	2.9	3.9	5.3	8.3
152	86	CCL 11pc Conv. Pf.	88xd	—	15.7	18.3	—	—
210	80	Carborundum Ord.	210	+2	9.1	4.3	10.1	10.4
94	83	Carborundum 7.5pc Pf.	90xd	—	10.7	11.9	—	—
65	46	Deborah Services	60	+1	7.0	11.7	6.3	8.2
32	20	Frederick Parker Group	23	—	—	—	—	—
120	50	George Blair	120	+1	—	—	4.9	8.9
68	20	Ind. Precision Castings	67	—	3.0	4.5	17.7	14.8
218	156	Isis Group	165	—	15.0	9.1	12.7	19.0
120	101	Jackson Group	120xd	—	6.1	5.1	8.2	7.3
349	228	James Burrough	349xd	—	17.0	4.9	9.8	8.9
100	85	James Burrough 9pcPf.	89	—	12.9	13.0	—	—
95	56	John Howard and Co.	57xd	—	5.0	8.8	—	—
1420	570	Minihouse Holding NV	1330	+30	8.7	0.7	44.0	62.1
380	260	Record Ridgway Ord.	380	—	—	—	6.8	11.7
100	89	Record Ridgway 10pcPf	89xd	—	14.1	15.8	—	—
82	32	Robert Jenkins	73	—	—	—	9.5	20.9
34	28	Scruttons "A"	34	+1	—	—	—	8.7
90	66	Torday and Carlisle	90xd	—	5.7	6.3	5.5	6.5
370	320	Trevian Holdings	320	—	7.9	2.5	6.7	8.8
67	25	Unilock Holdings	67	+4	2.1	3.1	18.2	17.8
175	93	Walter Alexander	174	—	8.6	4.9	9.8	12.0
226	190	W. S. Yeates	190	—	17.4	9.2	19.0	21.1

UK COMPANY NEWS

Cookson invests £40m in US ceramics venture

BY LIONEL BARBER

Cookson, the industrial chemicals group, is to invest US$57.5m (£39m) in cash, buying a 50 per cent stake in a major US specialist ceramics manufacturer.

Cookson has entered a joint venture with Georgetown Industries, a private steel producer based in Charlotte, North Carolina, to buy Vesuvius Crucible, a privately owned company based in Pittsburgh.

Each of the prospective owners will provide an equal amount of capital to the joint company, but after June 1989 Cookson has an option to buy out Georgetown's interest.

The price will be the same as that paid by Georgetown, adjusted for any increase in Vesuvius's shareholders' funds at the date of the option being exercised.

Vesuvius specialises in making high performance ceramic refractories for use in the protection and flow control of molten steel in the continuous casting process.

Some three-quarters of Vesuvius's sales are outside the US. The group employs 1,100 people at three plants in the US and five in Europe located in Scotland, Belgium, France, West Germany and Italy.

In 1985, Vesuvius made $14.2m profits before tax. For the five months to May 1986, unaudited figures show pre-tax profits rising to $8m. Shareholders' funds at the end of 1985 stood at $67.2m and borrings at $1.2m.

Cookson, formally known as Lead Industries, made £67.6m pre-tax profits on £867.3m in 1985. In the past two years it has recovered strongly. The group uses such recondite raw materials as rutile, ilaminate and zircon, while end products range from lithographic plates to pewter tankards and pottery kilns.

Mr Ian Butler, Cookson chairman, described Vesuvius as a world leader in specialist refractory products which account for 70 per cent of its sales. Other interests include clay graphite crucible products, slide gate mechanisms and fused silica products.

Mr Butler said that steel manufacturers outside Japan and South Korea had still to convert to the more efficient continuous casting process. Vesuvious's expertise offered Cookson a chance to occupy a strong competitive position in a niche growth market, he said.

Last year, Cookson paid £45m for Frank Horsell, a privately-owned lithographic plate maker soon after Horsell announced plans for a Stock Exchange listing. Last May, it paid £14m for Leyland Metal, one of the UK's largest recyclers of aluminium.

Revitalised Ratners doubled at £4.3m

IN LINE with estimates made in April at the time of its £8.9m rights issue, Ratners (Jewellers) yesterday reported doubled pre-tax profits of £4.28m for the year ended April 6 1986. Turnover, as foreshadowed, reached £44.84m, against £32.31m.

Mr Gerald Ratner, the chief executive said the results reflected the benefits of having revitalised the Ratners trading formula.

The extension of its product range to popular priced jewellery, accompanied by an aggressive sales approach, had enabled the group to increase sales per shop substantially.

Last May, Ratners announced an agreed £150m merger with H. Samuel, another High Street jeweller, and Mr Ratner said yesterday he looked forward with confidence to the success of the enlarged Ratners group.

In the current year, sales had moved ahead significantly and margins had been maintained throughout the group.

Terry's was trading above expectations and a steadily increased contribution was expected as this part of the group expanded from its south-east base.

The H. Samuel acquisition had increased the number of group outlets from 152 at April 6, 1985 to 550. A further 40 openings of Ratners and Terry's shops, funded from the rights issue proceeds, would take the total number of outlets to around 600, prior to the Christmas season.

Mr Ratner said that from this substantial base, the company aimed to increase its share of the total retail jewellery market.

As forecast, there is a final dividend of 0.75p net making a total for the year of 3p (2.5p). Stated earnings per 10p share advanced from 4.44p to 8.91p.

● comment

The Ratners success is built round a shift towards fashion jewellery and away from the more expensive so-called "investment" jewellery. The aim is to sell to a public more interested in looking like Madonna than like Elizabeth Taylor. Gerald Ratner believes he can work the same transformation on H. Samuel and take market share from competitors rather than from Ratners stores. This year, merely by eliminating the loss-making first quarter, H. Samuel should add £8m for its nine months contribution. Extra shop openings should push the Ratners and Terrys contribution to £7m, assuming only modest volume growth. The final figure depends on how much the financing costs of the £30m merger can be reduced by the sale and leaseback of H. Samuel sites. It seems likely that Ratner will act quickly to reduce the debt mountain and assuming financing costs are cut to £1m, pre-tax profits of £14m look probable. On a tax charge of 35 per cent, the shares at 173p are on a p/e of 17—wait and see.

Hanson fixes Imps placing at 180p

Hanson Trust has completed the international placing of 75m shares it launched earlier this month in connection with its recent takeover of Imperial Group. The company announced yesterday that the offering price had been fixed at 180p — Hanson's share price just before the close of Stock Exchange business yesterday — giving the placing a value of £135m.

The shares are part of a 106m block held by an investment company associate of Hanson which bought Imperial shares during the bid and then received Hanson shares in return for the Imperial ones.

NatWest US rises 22%

BY WILLIAM HALL IN NEW YORK

National Westminster Bank USA, the American subsidiary of the National Westminster Bank Group, increased its first quarter net income by 22 per cent to a record US$17.4m (£11.3m) and reported that its assets had risen by 17 per cent to $10.4bn over the past year.

Mr William T. Knowles, NatWest US's chief executive, said that the record earnings reflected "strong gains in the bank's domestic markets resulting in increased loans, core deposits and fee income, accompanied by continued improvement in the bank's asset quality." It increased its provision for loan losses by $4.2m to $15.7m, and noted that its allowance for loan losses is now equivalent to 94 per cent of non-accrual loans—among the highest for money centre banks.

Net interest income rose 11 per cent to $92m, reflecting increased earning assets and a reduced level of non-accrual loans. Loans, principally in the bank's middle market and consumer portfolios, increased by $1bn in the first half of 1986 compared with a year ago.

Other income rose 17 per cent to $22.7m, and sales of investment securities generated gains of $4m in the second quarter of 1986, compared with $5.2m.

Equity capital increased to $586m at the end of June ($527m).

John Haggas ends talks with Bulmer

John Haggas, a spinner of wools and synthetic yarns, has ended informal talks which were intended to lead to it making an offer for Bulmer & Lumb (Holdings), a weaving, knitting and dyeing group.

Haggas said it had no intention of bidding for Bulmer, which last month reported almost halved profits of £914,000 in the year ended April 1986, due partly to a fire which interrupted yarn production.

Bulmer's shares fell 16p yesterday to 92p to value the company at £7.9m.

Hallite falls to £0.6m

SECOND-HALF pre-tax profits at **Hallite** increased from £486,000 to £971,000, but figures for the full year to May 3 1986 were down from £701,000 to £617,000.

First-half profits were down from £265,000 to just £46,000 and Mr J. Gordon, the chairman, said in his interim report that the half had been affected by the reorganisation of facilities at Hampton, and by the profit benefit given to 1984-85 at the expense of the first half of 1985-86.

He said yesterday the improvement in the second half indicated that the reorganisation was now having a beneficial impact on group results.

The second half performance had encouraged the board to recommend an increase of 1p to 7p net in the final dividend for a total of 10p (9p). Stated earnings per 50p share were down from 15.8p to 11.3p on a net basis, and from 14.1p to 13.4p on a nil basis.

Significant progress was made by this manufacturer of synthetic rubber and plastic precision seals during the second half in reducing group debt, and the ratio of net debt to shareholders' funds was reduced during the year from 38.6 per cent to 18.2 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim:—Vantage Securities.

Finals:—Applied Holographics, Brengreen, Graig Shipping, HAT, International Leisure, Jack L. Israel, F. H. Lloyd, Tiphook, Wyke.

FUTURE DATES

Interims:—		
Bullough	July	24
Eurotherm International	July	16
Lowe (Robert H.)	July	21
Macallan-Glenlivet	Sept.	23
Pleasurama	Aug.	5
Sharpe and Fisher	*Sept.*	*2*
Temple Bar Inv. Tst.	July	21
Finals:—		
AAH	July	22
AIM	July	31
Berisfords	*July*	*25*
CASE	July	21
Preedy (Alfred)	July	25
Real Time Control	July	25

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Crown House	4.9†	Oct 1	4.25	7.9	7
Denmans Elect ......int	1.35‡	Aug 20	1.25	—	3.7
George Dew ......int	2.3	Sept 26	2.3	—	6
Ellis & Everard	4	—	3.64*	6.5	5.91*
Evode ......int	1.04	Sept 25	0.94	—	3.22
Greene King	3.89	—	3.35	5.6	4.87
Hallite	7	Oct 1	6	10	9
Hampton Trust	0.65†	Oct 1	0.35	1	0.7
Questel ......int	2.2‡	Oct 3	—	—	2.2
Ratners	*0.75†*	*Oct 15*	*1.82*	*3*	*2.5*
Sekers Intl	1.65	Oct 17	1.4	2.5	2
Textured Jersey	3.75	Oct 1	3.25	6	5
United Leasing	2.5	Oct 3	2.2	4	3.6

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

EPIC £1.7m offer

Estates Property Investment Company (EPIC) is making an agreed £1.7m offer for **Union of House and Land Investors**, a private company which invests in property and stocks and shares. Holders of about 50.49 per cent of Union's equity have undertaken to accept.

Full acceptance would result in the issue of 997,500 new ordinary shares (5.2 per cent) in EPIC and payment of £6,250 in cash. Union's net assets at March 31 1985 were £1.88m and pre-tax revenue for the year to that date was £135,000.

MY Dart

Coast Investment and Development Company of Kuwait has increased to 22.4 per cent its holding in **MY Dart**, a manufacturer of packaging, bicycles and fireworks. Dart shares closed at 45p, up 3p on the day.

Coast Investment, which already held 2.8m shares in Dart, has bought a further 2m. The additional stake apparently came from Timsa 69, an Australian registered company which built up a stake in Dart earlier this year. Its sale of 2m shares means it no longer has a notifiable interest in Dart.

DRG sale talks off

DRG said it had been unable to reach satisfactory terms for the sale of DRG Cartons, its Bristol based folding carton operation. It had therefore terminated talks with interested parties and said it would now concentrate on restructuring the business. Mr R. W. Pettit has resigned as managing director of DRG Cartons.

EMAP purchase

Henry Ansbacher yesterday announced the sale of 5.4 per cent of the ordinary shares of Home Counties Newspapers to EMAP. The 135,000 shareholding, Ansbacher's remaining interest, lifts EMAP's holding in Home Counties to 18.8 per cent—470,187 shares.

Senior Engineering

Senior Engineering Group has paid £1.9m cash for the air distribution equipment division of Barber & Colman. The business will be continued on the site at Sale, near Manchester, and trade under the name of Senior Colman.

Brown Shipley

Kredietbank Luxembourgeoise has acquired 700,000 (4.66 per cent) ordinary shares in Brown Shipley Holdings, taking its holding to 3.8m shares (25.5 per cent).

Crown House forecast beaten with £7.2m profit

BOTH MAIN trading divisions—tableware and engineering services—contributed towards a £1m pre-tax profit increase at Crown House for the year ended March 31 1986. The dividend is lifted from 7p to 7.9p net.

The group yesterday announced a profit of £7.16m. This compares with not less than £6.8m forecast with the December rights issue and with £6.16m achieved in 1984-85.

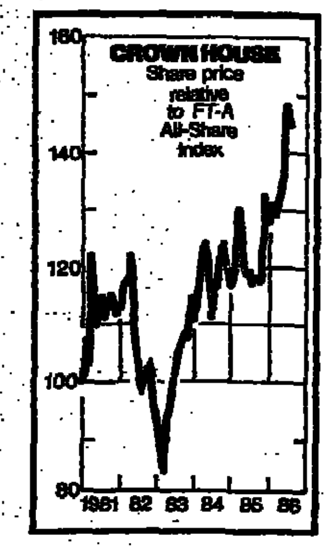
The final dividend is 4.9p, against 4.75p as indicated in December.

In tableware, turnover rose 17 per cent to £54.79m and profit by 21 per cent to £2.78m, while turnover in engineering advanced 24 per cent to £147m and profit by 3 per cent to £4.29m. Turnover attributable to the UK stayed at 77 per cent, but North America improved from 8 to 13 per cent.

Mr Patrick Edge-Partington, chairman, said the demand for group engineering services, particularly in UK contracting, was at an unprecedented level though conditions remained fiercely competitive. Nevertheless, he said, that was a most encouraging feature of the present market scene.

Demand for tableware was slack in some areas of the home business, partly due to the reduction in the number of overseas visitors. He was optimistic that the important Christmas period would see a high demand for gift and tableware products.

Unless any exceptional opportunity should arise to make an acquisition, the board intended to concentrate on expansion by organic means in the immediate future. Overall, prospects looked encouraging, the chairman reported.



Group turnover in the year came to £202.3m (£166.5m) and operating profit to £7.6m (£6.2m). Net interest paid was £442,000 (£134,000). After tax £3.4m (£2.2m) and minorities £718,000 (£196,000) the net profit was £4.51m (£3.19m) for earnings of 17.7p (12.9p).

At the half year, the decision was reported to withdraw from overseas contracting operations; also, a £1.2m extraordinary provision had been made in addition to the £1.5m provided in the 1984-85 accounts.

All the group's operations in South Africa had been sold. Since the year end all work in Egypt and the United Arab Emirates finished and the remaining work in Trinidad and Oman would be completed shortly. Closure operation costs could not be calculated, but it was considered unnecessary to make further provisions in the 1985-86 accounts above the £2.7m provided to date.

● comment

The petrol forecourt war, give-away glasses and so on, held Crown House's bottom of the range tableware sales last year. Clearly: "There's rubbish that sells and rubbish that don't and some you can only give away" to quote one industry analyst. Nevertheless operating profits were up a fifth. There was also some fairly free spending—gone already are the £5.6m net proceeds of December's rights issue plus another £6m in cash to leave the group gently geared (17 per cent) as opposed to the £2.5m net cash of a year ago. The earnings growth for 1985-86 is only minimally affected by the late in the financial year rights move. However, Crown now has quite a lot to do on its expanded capital to avoid the appearance of standing still. On the engineering front, 1985-86 has seen the end of overseas work and demand, but not margins, is strong at home. The George Butler acquisition, which has absorbed the major part of 1985-86's £12m cash consumption, should only wash its face this year and it will be 1987-88 before any sizeable contribution can be expected. On forecasts of £7.8m the shares, up 3p to 222p against a falling market, look comfortable on a prospective multiple of almost 12.

Abaco paying £5m for estate agent

By Charles Batchelor

Abaco Investments, the acquisitive financial services company in which British & Commonwealth Holdings has a 21 per cent stake, is paying £5.52m for Messenger May Baverstock, a chartered surveyor and estate agent.

Messenger has 10 offices in Surrey and Hampshire employing 198 staff and with 1985 turnover of £2.5m. It produced £541,000 of net profit available for distribution to partners last year and made a pre-tax profit of £303,000. Further substantial profit growth is expected this year.

This is Abaco's fourth acquisition in 1986 and comes less than a month after it bought Teplis and Harding Group, an insurance loss adjustor, for £12.2m.

In February Abaco made its first move into the estate agency business when it paid £6.2m for Bridgers, which had 25 offices covering an area adjoining that of Messenger.

Abaco has been acquiring professional partnerships across a broad range of financial services over the past three years. In 1983 it was created from Greencoat Properties, which was transformed by the injection of Brown Goldie, a finance and investment company run by Mr Peter Golding and Mr Cameron Brown, two former executives with Guinness Mahon.

Messenger and Bridgers will provide outlets for the mortgage broking services offered by John Charcol, an early Abaco acquisition and for other financial services provided by the group.

Messenger specialised in the country house market while Bridgers tends to handle less expensive properties. Messenger also has a commercial department, a professional department handling surveys and valuations and an antique and fine art saleroom in Godalming which generated 1985 fee income of £479,000.

Abaco will pay £4.92m in cash and issue 653,400 new shares to Messenger on completion of the deal.

Abaco's shares fell 5p to 83p yesterday.

Denmans reduction

After a satisfactory opening quarter, the 1985-86 year is proving difficult for USM quoted Denmans Electrical wholesaling group, and shareholders are being warned of a drop in the year's profit on the previous £1m.

The first half, to March 31 1986, saw pre-tax profit fall by 10 per cent, from £492,000 to £445,000, mainly because of a failure to achieve sales targets, said the chairman Mr Arnold Denman.

The second half, he added, would be affected by the initial costs of expansion into North West England, and he anticipated that the full year result would be less than last year.

The interim dividend is lifted to 1.35p (1.25p) net.

ISSUE NEWS

Sandell Perkins to go for full listing

One of the larger privately owned builders' materials and timber merchants, Sandell Perkins, is planning a full Stock Exchange listing next September by way of an offer for sale.

The announcement was made yesterday along with the company's figures for last year, which showed a 19 per cent rise in pre-tax profits to a record £6.9m on turnover of £92.7m (£78.5m). The company said that in the last 5 years, both turnover and profit had grown more than six fold.

The oldest component of the Sandell Perkins group, J. & AS Smythe, was founded in 1785, and the present name dates from the merger of Sandell Smythe Drayton and Ingram Perkins in 1970.

Half of the group's 48 branches are based within greater London and the M25 ring, with the remainder stretching from Canterbury to Bristol.

Mr Tim Perkins, the 52-year-old chairman, said that the creation of a market in the company's shares would enhance the opportunities available for financing future expansion.

County will be advising the company on the offer and the broker will be Laing & Cruickshank.

Hughes Food joins the USM via a £3m placing

Hughes Food Group is joining the USM via a £3m placing. The Humberside-based group operates cold storage facilities, supplies food processing machinery and rents out fork-lift trucks.

Brokers Jacobson Townley are placing 15m shares, 35.6 per cent of the enlarged capital, *putting a market capitalisation* on Hughes of around £8.4m.

The group was formed after a reverse takeover by the former Hughes Holdings of Rini (Malaya) Rubber Estates.

Following the placing, Mr J. D. Hughes, the chairman, will hold 51.35 per cent of the group, Investors in Industry *8 per cent and 40.64 per cent* will be in public hands. Some 10m of the shares being placed represent sales by Mr Hughes and 3i.

Around £1m will accrue to the group, which will be used for working capital, in particular for the development of its cold storage capacity.

Last year, Hughes made profits of £561,272 on turnover of £3.3m (excluding intra-group sales and charges). The group has forecast not less than £900,000 for the year to February 28 1987. That puts the shares on a prospective p/e of 14.5.

Dealings will start tomorrow.

Cambium Venture cash call

Cambium Venture Capital, investment company, yesterday reported increased losses for 1985 and at the same time announced a rights issue to raise £1.02m before expenses.

The rights is on a one-for-one basis at a price of 11p each and the issue has been underwritten by T. C. Coombs and Co.

Full year income totalled £26,226 (£39,156), but administration expenses took £86,453 (£51,913) and interest payable £1,973 (nil) leaving a pre-tax deficit up from £12,757 to £62,200.

After a tax credit of £10,473 (nil) loss per 5p share was 0.57p, against 0.14p.

The directors said progress had continued towards the goal of long-term capital appreciation of the company's investments.

This year had seen Open Computer going into receivership and Cablecom being successful in attracting considerable outside finance for its planned operations.

Several other investments were considered to be showing signs of considerable potential.

UK COMPANY NEWS

Sale Tilney expands financial side

BY NICK BUNKER

Sale Tilney, engaged in engineering, food processing and distribution, is stepping up its involvement in financial services by buying R. L. Stott, an Isle of Man private client stockbroker, and R. J. Temple, one of the UK's biggest investment advice and financial planning companies.

The group, where pre-tax profits jumped by 32 per cent to £4.1m in 1985, already includes an insurance underwriting agency, a Lloyd's broker and a Swiss fund management company.

Mr Richard King, Sale Tilney's chairman, said the latest acquisitions reflected "the general trend towards providing a comprehensive financial service within the same organisation."

Sale Tilney is paying £3.35m for R. L. Stott, made up of £2.68m cash and £670,000 from the issue of 262,225 new ordinary 25p shares in the group.

Stott was founded in 1883 and has been controlled by the Stott family for about 50 years. It made a pre-tax profit of £490,000 in the year to March 27, when it ceased trading as a partnership and was incorporated as a company.

With a private client base of about 2,500, it has specialised in investment advice to UK and foreign expatriates.

Mr Dursley Stott, the former senior partner, said he had been looking for opportunities to exploit markets outside the Isle of Man, and had been approached by a number of financial institutions interested in purchasing the firm before opting to join forces with Sale Tilney.

The acquisition comes at a time when provincial brokers have been looking for new alliances with each other and with outside interests in the run-up to this October's Big Bang London stock market reforms.

Sale Tilney is to pay an initial consideration of £7m for R.J. Temple, £3.8m in cash and the remainder in the issue of new Sale Tilney ordinary shares. A further consideration will be payable if this year R.J. Temple's profits exceed the 1985 pre-tax profit of £634,000.

R. J. Temple, which was founded in the 1960s as a tax consultancy, became an investment advice, insurance broking and financial planning company in the late 1970s.

Based in London and Brighton with 22 UK regional offices, it manages funds of £30m and has a client list of 67,000. It is expected to work closely with R. L. Stott, Mr Dursley Stott will join Temple's board.

Improved margins behind rise at Sekers

A FURTHER improvement in gross margins enabled Sekers International to lift its 1985-86 profits to £1.71m pre-tax, an advance of 28 per cent over the previous year's £1.33m.

Sales expanded throughout the year and reached £20.57m, an increase of 13 per cent—the London-based company is engaged in the manufacture of furnishing fabrics.

The directors said that Sekers derived its business not only from its traditional markets, but from the consolidation of its new markets.

They added that there had been a continuation of the capital expenditure programme in the manufacturing companies and that plans were in place to continue this policy in the current year.

Trading profits for the year to March 31 1986 improved from £1.79m to £2.23m. Other operating income added £148,000 (£114,000).

Pre-tax profits were struck after taking account of an £84,000 rise in interest charges to £72,000.

Tax took £411,000 (£463,000) and left net profits at £1.3m, up from £868,000).

Earnings worked through 4.37p ahead to 13.23p and a final dividend of 1.65p (1.4p) raises the total from 2p to 2.5p net per 10p share.

Last November in their interim report (first half profits increased by 67 per cent to £631,000 pre-tax from turnover 14 per cent ahead at £9.74m) the directors said with the then level of activity and order book they remained confident about the full year outturn.

At year-end, shareholders' funds totalled £6.56m (£5.51m). Net assets showed an improvement of 10.72p at 66.99p per share.

Exceptional costs hit George Dew

STRUCK THIS time after an exceptional charge of £254,000 for redundancy and reorganisation costs, pre-tax profits of George Dew, civil engineer and building contractor, fell from £473,000 to £411,000, in the half year to May 4 1986.

After an increased tax charge of £184,000 (£116,000) earnings per 25p share were down from 4.5p to 2.8p. The net interim dividend is however, unchanged at 2.3p—last year's total was 6p on £1.06m profits.

Turnover was down from £16.24m to £13.09m, which the directors said reflected their determination to be more selective in seeking work. There were some current interests in the sales of group property development together with the piling and landscape work. While work in the United Arab Emirates continued on a reduced scale, Dew was maintaining good progress in the Oman.

S. & J. Whitehead, the group's specialist stonemasonry contractor, was expanding steadily.

The piling division was busy and with the addition of the recently purchased Pilemaster vibrationless piling equipment, the directors looked forward to a further expansion of work.

Evode advances to £1.3m

PROGRESS BY its mainstream manufacturing businesses helped Evode Group, the adhesives, roofing, paints and plastics concern, to lift pre-tax profits by 15 per cent from £1.1m to £1.26m in the half year to March 29, 1986. Turnover rose 5 per cent to £32.6m, against £31.1m.

After tax of £542,000 (£452,000) stated earnings per 20p share were 3.94p (3.93p) basic or 3.69 (3.64p) fully diluted. The net interim dividend is stepped up from 0.94p to 1.04p—last year's total was 3.22p on £2.83m profits.

Mr Andrew Simon, the chairman, said the company anticipated further progress in the current year. Longer term, Evode's commitment remained to the continued development of its technology and its recently formed "Forward Technology Group" was developing some interesting opportunities which, he said, offered excellent prospects.

Despite relatively poor demand in some sectors, the adhesives and sealants division increased profits from £521,000 to £739,000. The benefits of the cost reduction programme implemented last year and in the first quarter of the current year, were showing through and there were interesting new product developments in hand for next year. The chairman said Evacor profits were most satisfactory.

However, the roofing and insulation division continued to suffer from poor demand and adverse weather conditions and incurred a higher loss of £344,000 (£136,000). Although sales and margins were improving in the second half, trading performance remained difficult to predict in view of the highly seasonal nature of the business.

The paints and plastics side raised profits from £708,000 to £765,000. Strong organic growth was achieved particularly in the powder coatings market. The joint powder coating venture with the Dexter Corporation in the US will begin production in September and will contribute to final figures for the year. Mr Simon said all the group's plastic companies were trading well.

Leasing profits added £4,000 (£2,000). Overall group operating profits were ahead from £1.63m to £1.87m, before interest and similar charges of £602,000 (£539,000).

● comment

Yesterday found Evode attempting a metamorphosis. No longer content to be stuck with its glue-manufacturing tag, it has had its listing transferred from the Miscellaneous Industrials sector to Chemicals and Plastics and is laying heavy emphasis on its new self-styled status as a specialist chemicals company. The change is understandable, for speciality chemicals is the best bit of the business: the powder coatings division is already a major player in a rapidly expanding UK market and the joint venture with Dexter holds out good prospects for faster growth still in the US. Whether it is justified or not is another matter: the cynical view is that it is a cosmetic change to distract attention from the fact that 50 per cent of turnover is coming from the adhesive and sealants division, whose profits are increasing more through cost-cutting than increased sales, and another 12 per cent from roofing and insulation, which is still turning in losses and faces an uncertain second half. With perhaps £3.3m in sight for the full year and the shares up 3p at 128p, the prospective p/e ratio of under 12 suggests that the market is only half convinced of Evode's new status, and it will probably take a good deal of persuasion — or some more convincing full-year figures — to take it the rest of the way.

Hampton Trust up and further growth expected

Hampton Trust, the property, mining and exploration group, increased pre-tax profits from £677,000 to £962,000 for the year ended March 31 1986.

Net surplus for the year came out higher at £790,000 (£550,000), after tax of £129,000 (£48,000), minorities and an extraordinary charge of £76,000 last time.

While stated earnings per 5p share declined from 2.37p to 1.63p, the dividend is raised to 1p (0.7p) net with a final of 0.65p.

Net assets at the year end were up sharply from £10.75m to £23.85m.

The directors said that the company's asset base was now supported by over £32m of long term capital. The company continued to seek further opportunities for expansion and the board was confident the current year's results would show further growth.

Net rental income in 1985-86 jumped from £888,000 to £3.12m.

Australian mining net income was £92,000 (£16,000) and the group's gas wells contributed a net £46,000 (£4,000) after expenditure and depreciation of £82,000 (£105,000).

Trading profits increased from £908,000 to £3.26m, but other income dropped to £591,000 (£786,000) reflecting a sharp fall in profits on sale of investments. Administrative expenses took £400,000 (£267,000), while interest payable soared from £733,000 to £2.49m.

During the year a total of £24.5m fixed-interest finance was raised by the issues of long-term securities. Since the year-end a £2.83 11½ per cent mortgage stock 2007 had been issued which, together with the other issues, had eliminated all material short-term borrowings.

The directors said that the reduction in interest charges resulting from these issues would be reflected in the current year's results.

COMPANY NEWS IN BRIEF

DALGETY, the food and agriculture group, announced yesterday that it has appointed Shandwick Consultants as its new public relations advisers, encouraging speculation that it is either planning a bid itself or fears it is being stalked by a predator.

ASHLEY INDUSTRIAL Trust's capital reconstruction has received High Court sanction and the appropriate order has been lodged with the Registrar of Companies. The authorised capital is now £745,200, being 14.9m ordinary of 5p, of which 7.36m are in issue. The deficit has been eliminated from the profit and loss account.

ASCOG HOLDINGS has acquired F. H. Pride, which will continue to trade from its factories in Croydon, Surrey, under its present name, Lucas-Pride.

COUNTER PRODUCTS Marketing, a marketing services specialist, has acquired for an undisclosed sum the Tyrell Company, a corporate design, product development and communications concern.

EDGAR HAMILTON Group has acquired the UK non-marine insurance business transacted by Paul Bradford & Co (Lloyd's brokers), Gordon Cooper Agencies), Professional & General Insurance Brokers and Paul Bradford (Life & Pensions). Hamilton, an Exco International associate, is one of the largest Lloyd's-based wholesale brokers in the UK.

LONDON SHOP Property Trust has bought five freehold investment properties for £5.1m. Currently, they are producing £455,000 per annum. It has sold to a single purchaser for over £1m a portfolio of four retail properties in the Bristol area.

FRIENDLY HOTELS' rights issue of convertible preference shares has been taken up in respect of 4.26m units, or 93 per cent of the issue. The balance has been sold in the market at a premium.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	162	136	‡Accord Publications 5p	161	−1	Rd3.1	2.6	2.7	20.3
‖	F.P.	15/8	127	114½	‡Airsprung Group 10p	120xd	......	5.4	2.8	6.3	7.9
150	F.P.	30/6	152	138	Alumasc Group	150	−2	R5.85	2.5	5.5	10.4
115	F.P.	11/7	190	155	Arlington Sec. 10p	180	+2	b1.7	4.3	1.3	24.7
§67	F.P.	—	71	68	‡BBB Design Grp 5p	71	......	L1.0	4.2	2.0	17.0
§145	F.P.	15/8	158	145	‡Beaverco 5p	153	+3	u5.0	2.4	4.6	12.1
‖	F.P.	—	53	41	Bertrams Inv. Tst	41	−2	—	—	—	—
§37½	F.P.	25/7	43½	38	‡Bignal 5p	42	+1	R1.225	3.1	4.1	10.5
147	F.P.	4/7	147	130	Black 5p	142	−1	R3.4	3.1	3.4	13.5
125	F.P.	8/8	147	128	‡Borland Intl. Inc	143	−3	a02c	1.4	1.0	20.0
145	F.P.	25/7	175	148	Bredero Props	150	......	R4.25	2.3	4.0	12.7
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	58	......	bd2.82	2.1	6.8	8.1
§63	F.P.	—	66	61½	‡Camotech 10p	66	......	R2.0	2.4	4.3	13.5
§110	F.P.	18/7	115	95	‡C'bell & Armstrong 5p	95	......	u3.91	1.9	5.8	12.1
§125	F.P.	7/8	136	130	‡Chelsea Man 5p	130	......	12.2	2.8	2.4	21.4
‖	F.P.	18/7	118	85	Clarkson (Horace)	118	......	14.75	1.5	6.1	15.1
¶¶	F.P.	—	100	70	Clayform Warrants	70	......	—	—	—	—
§84	F.P.	1/8	91	84	‡Coated Electrodes 5p	84	......	u3.9	1.6	6.5	13.1
§58	F.P.	4/7	68	59	Densitron Intl 5p	68	......	u1.65	2.1	3.4	17.4
140	F.P.	4/7	130	120	‡Fields(Mrs)Inc$0.05	125	......	RQ4.5c	2.6	2.5	15.8
§85	F.P.	6/8	92	82	‡Ford & Weston 5p	87	......	R3.02	2.6	4.9	11.2
150	F.P.	25/7	155	150	Guthrie Corp	154	......	u5.3	2.2	4.8	9.9
140	F.P.	20/6	150	140	Haggas (John) 10p	141	+1	nd3.0	3.2	3.0	14.6
§85	F.P.	24/7	112	90	‡Hodgson Hldgs 5p	112	+2	R2.13	2.3	2.7	20.4
R30	Nil	—	325	225	Joel (H.J.) Ltd Units	240	......	—	—	—	—
157	F.P.	26/6	158	145	‡Monotype Corpn 10p	158	......	R4.4	1.6	4.0	15.4
§500	F.P.	—	516	455	Morgan Grenfell £1	461	−14	L8.5	—	2.6	—
§100	F.P.	27/6	121	103	‡Savage Group 20p	115	−2	R3.0	2.5	3.7	15.2
§72	F.P.	—	115	99	‡Shield Group 5p	115	+3	L2.0	3.1	2.5	16.8
	F.P.	1/8	184	171	‡Smallbone 10p	174	......	a5.0	2.1	4.0	16.3
—	F.P.	—	55	43	Smith Newcourt War'ts	51	−2	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	41	−1	61.2	2.8	4.1	12.2
§98	F.P.	6/8	106	98	‡Space Planning 10p	101	+1	R1.8	3.4	2.5	16.4
§95	F.P.	25/7	114	104	‡Task Force 5p	114	......	R1.78	3.8	2.2	16.9
112	F.P.	8/8	130	116	Tenby 50p	130	......	u4.0	2.6	4.3	10.1
190	F.P.	1/8	242	219	Thames TV	225	−2	49.5	1.9	6.0	12.6
120	F.P.	—	125	100	Tibbet & Britten 5p	124	−1	R5.5	2.6	4.0	13.8
§63	F.P.	—	68	67½	Unilock 20p	68	......	1.98	2.7	4.1	12.9
£12.70	Nil	—	260	210	Wight Collins RS ##	235	+5	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	F.P.	5/8	111	104	Avgar 8% Cum. Conv. Red. Pref.	106	......
§97.947	£25	17/9	27¼	25¼	Bankers Inv. Tst. 10½% Deb. 2016	26¼	+¼
§99.50	£10	28/8	9¼	8	Bristol Water 9.8% Red Deb '96	9	+½
§99.256	£30	29/8	30¼	27	Brit. Alcan Aluminium 10⅞% Deb. 2011	27	−1¼
§94.205	£25	31/10	25¾	23⅛	Brixton Est. 9.5% 1st Mort Deb 2026	23¼	−2
§100p	F.P.	—	107p	105p	Business Mortgages Tst. 8.6%Cum Prf.	107p	......
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	38½	......
§94.45	£30	31/10	32⅛	29⅞	European Inv. Bank 9%Ln 2001	30⅛	−⅞
‖	Nil	—	3ppm	3ppm	‡Fergebrook 12% Cv Uns Ln 1992-97	3ppm	......
‖	F.P.	4/8	107½	104	Friendly Hotels 5% Conv. Cum Red. Pref.	105	−1
96.114	£25	24/10	27⅞	26¼	Globe Inv. 10% Deb. 2016	26¼	......
§99.054	£40	12/9	41⅛	39⅞	Govett Strat. Inv. Tst. 10⅛% Deb. 2016	40⅞	......
97.963	£25	24/10	25⅜	19⅞	Gt. Portland 9½% 1st. Mort. Deb. 2016	19⅞	−1⅛
105.525	£25	21/8	26	19	Land Securities 10% 1st. Mort. Deb.25	19	−1⅛
‖	Nil	—	1¼ppm	¼ppm	Leigh Int. 6% Cnv. Cum. Red. Prf.	1ppm	......
§99.951	F.P.	14/7	102	96	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	96½	......
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21½	−1¼
¶¶	F.P.	—	101	96	Mercury Intl. 7⅞% Cum Pref.	96	......
‖	F.P.	—	136p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	......
—	F.P.	—	100⅛	99⅞	Nationwide 9⅞ 15/6/87	99⅞	......
—	F.P.	—	100	99	Do 9⅞% 6/7/87	99⅞	......
§99.937	£25	—	25⅜	25⅛	Do 3⅝% IL Ln. 2021	25⅛	......
§97.50	F.P.	11/7	97⅞	96½	Parkes Concorde Tst.9.364% Deb. 1991	96⅝	......
§87.179	£30	26/9	31	28⅜	Portugal 9% Ln. 2016	29½	−⅞
§99.888	£40	1/8	44	38⅜	Queens Moat 10¼% 1st. Mort. Deb. 2020	39¼	−1
95.512	F.P.	8/8	98½	94¾	Scot.Mort.6%—12%Ste'dint.Deb.2026	94¾	−2¼
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	44	......
§99.480	£25	18/7	31⅛	29⅛	S.E. 10⅛% Mort. Deb. 2016	29⅛	−⅛
§99.50	£10	28/8	9¼	8	Sund. & S. Shields Wtr 9.8% Rd Db '96	9	+1
§48.835	F.P.	15/8	49⅞	47⅞	Tesco 4% Uns Deep Dis Ln 2006	47⅞	−½
¶¶	F.P.	—	126p	112p	Tomkins (F.H.) 5.6% Cum. Cnv. Red. Prf	125p	+1
99.073	£25	8/8	25⅛	22⅜	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	22⅜	−1
¶¶	F.P.	—	108½p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	108½p	+1½
100	£50	12/9	50¾	46¼	Witan Inv. 8½% Deb 2016	47⅛	−1⅛

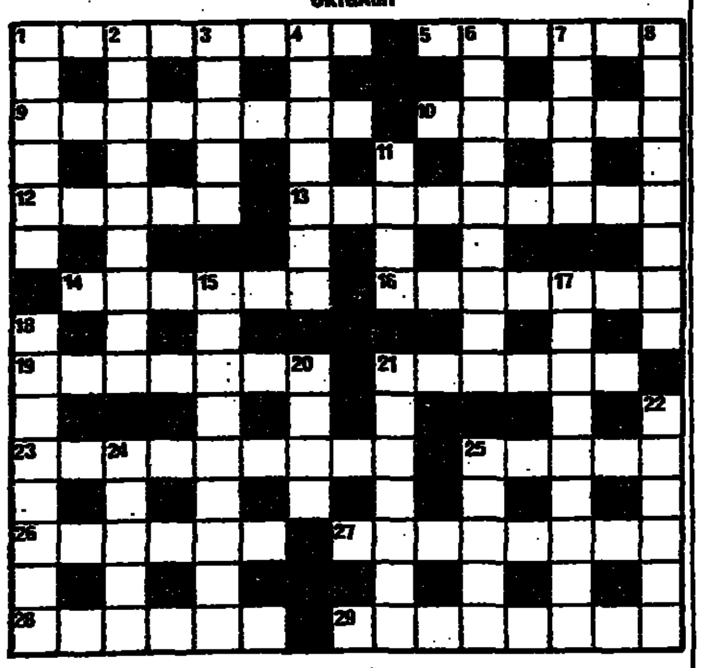
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
49	Nil	—	36pm	32pm	Abaco Invs. 5p	34pm	−2
40	Nil	4/8	11pm	3pm	Anglo African Fin. 7½p	3pm	......
470	Nil	4/8	200pm	100pm	Antofagasta Hldgs. £1	100pm	......
55	Nil	—	½pm	½pm	Bertrams Inv. Tst.	½pm	......
250	Nil	12/9	30pm	20pm	Boase Massimi Pollitt 12½p	20pm	−5
465	Nil	29/8	100pm	80pm	Costain Group	80pm	......
880	F.P.	1/8	£10⅝	£10⅜	De la Rue	£10½	......
130	Nil	14/8	16pm	8pm	Erskine House	16pm	......
165	Nil	—	20pm	16pm	Expamet Intl.	16pm	......
47	F.P.	15/8	69	55½	Five Oaks Invs.	69	+1
148	Nil	20/8	34pm	24pm	Ibstock Johnsen	24pm	......
215	Nil	15/8	63	40	Intl. Signal & Control 10c	45	−4
50	F.P.	8/8	65	60	‡Pineapple Dance Studios 10p	65	+5
£14	Nil	12/9	500pm	500pm	Priest Marians £1	500pm	......
285	F.P.	6/8	336	328	Scottish TV 10p	335	......
25	Nil	11/8	4pm	½pm	Snitter Oil & Gas	½pm	......
38	Nil	—	2½pm	½pm	‡Yelverton Invt. 5p	1½pm	−1

*Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ## Units comprising new ord. & Cnv. Cum. Red. Pref. shares.*

FT CROSSWORD PUZZLE No. 6073

ORIGAMI



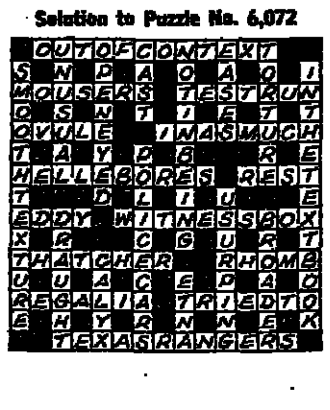
ACROSS

1 It's cheap forged copy (8)
5 Southern scriptures found on a wall (6)
9 A refusal to exist with less in the upper classes (8)
10 About a twisted coil of cotton (6)
12 Road test film music (5)
13 "No victory," short letter, i.e. short manuscript (9)
14 An ass in the form of a succeeding horse (6)
16 The essence of a roundabout at a fair (7)
19 Regrets American uncle returning as he makes you quiver (7)
21 Laugh about fashion before fan (6)
23 Northerner who doesn't fall on his feet (9)
25 Unable to remember music (5)
26 Scot returns in alarm (6)
27 Inclination to write song (8)
28 Points to Olive as an introduction (6)
29 Claude's turned about in a blind alley (3-2-3)

DOWN

1 Slate a mother in a hat (6)
2 Resistance men manoeuvre boats with sure rigging (9)
3 Useless in eastern gymnastics (5)
4 Praise God! Girls go back to Home Office (7)
6 "Mrs Mopp," the French hit. It's a fraud (9)
7 The point in way out shows live (5)
8 Home counties firm in aid up north, of a bishopric (8)
11 Justify averages not using 21 and 40 (4)
15 Peculiar danger in direction of veal slices (9)
17 French English or English French (9)
18 Chopped eel and 12 ingredients of a meal (8)
20 Tale of pure delight (4)
21 Upstart steals one from Peruvian stranger (7)
22 Irish cricket club holds it, the French set it up (6)
24 A knot of mine holding firm (5)
25 Turn up deaf aid with a number put on the outside (5)

Solution to Puzzle No. 6,072



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

80 Holdenhurst Rd, Bournemouth

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House 7 Devonshire Sq, EC2 01 929 1532

American Tst	65 8	70 8xd	+1 0	1 6
Far East & Gn Tst	99 0	105 4	+3 0	1.0
Intl Growth Tst	68 9	73 3xd	+1 4	0 8
Income Tst	83 9	90 3	-0 6	5 6
Japan Growth Tst	118 7	127 7	+3 5	0 2
Small Cos Tst	114 7	123 4	+0.8	2 0
Technology Tst	33 2	35 6	+0 4	0.2
Australia Trust	37.8	40 6	+0 8	1 9
UK Trust	129 5	137 8xd	-1 0	2 7
European Growth Tst	49 8	53.3xd	+0 7	1 2
Hong Kong Tst	20 9	22 2	+0.5	1 6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.7	16 7	+0 7	0 15
Pacific Basin	13.6	14.5	+0.3	0.2
Canadian Balncd Growth	60.8	65 0	+1 6	0 98
Ginnie Mae	100.8	105.0	+0.3	7 7

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Small Cos (z)	57 4	59 0	-0.1	1 00
British Growth (z)	66 9	68.8		1.50
British Income (z)	65.5	67.4		4.50
British Extra Yield(z)	50 8	52.2xd	-0.2	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67 3	68 4	-0.1	0.00
U.S. Govmt Bond F	0.505	0.508	.....	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	48.8	52.0		7.63
Growth Trust	51 6	54.9	-0.1	2.23
Income Trust	53.8	57.3	-0.1	5.12

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.8	72.3		2.86

Weekly dealing day Tuesday

The Yorkshire General Trust

INSURANCES

Cannon Assurance Ltd—Continued

Index	112 5	118 5	-0 3	
Far East	170 9	180 8	+1 0	
Global	94 4	99 9	+0 3	—
European	97 3	103 0	+0 4	
Japan	104 7	110 8	-0 5	
2nd Series Pension Accumulation				
Equity	495 2	524 0	+0 3	
High Income	325 2	344 1	+0 6	
Property	277 6	293 8		
Managed	338.5	358 2	+0 6	
Deposit	249 7	264.2		
Gilt	255 9	270 8	-0 6	
American	385 3	407 7	+2 8	—
International Money	261 7	276 9	+0 7	—
Index	122.5	129 6	-0.3	—
Far East	185 0	195.8	+1.3	—
Global	94.5	100.0	+0 4	—
European	98.0	103.7	+0 4	—
Japan	107.4	113.7	-0.5	—
Other Funds				
Equity Units		67.23	+0 29	—
Property Units		21.09		—
Equity Bond/Exec	41.99	44 43	+0.02	—
Property Bond/Exec	28 44	30.10		—
Balanced Bond/Exec	33 46	35 41	+0.06	—
L&E SIF 1	110.0	116.0		—
L&E SIF 2	72.0	76.0		—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	103 0	109 0		—
Risk & Reward Bond	115.0	122.0		—
Murray Johnstone Fd	117 0	124 0		—
Money Market Fd	100 0	106.0		—
Ivory & Sime Pens Fd	99.0	105 0		—
Risk & Reward Pens Fd	97 0	103.0		—
Murray J'stone Pens Fd	115.0	121 0		—
Money Market Pens Fd	100 0	106.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660088

Current Series				
Property Fund	113.9	119.9		—
Money Fund	219.3	230 9	+0.1	—
Managed Fund	404 3	425.6	+0.4	—
Equity Fund	255.4	268 9	-0 3	—
Fixed Interest Fund	148.7	156.6	-0.2	—
Far East Fund	194.4	204.7	+2.2	—

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Liberty Life Assurance Co Ltd

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Pensions Limited

Refuge Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Fidelity Funds

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV | $17.90 | | −0.03 | —

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd | $16.26 | | −0.01 | —
Inv. Adv.: M. & G. Inv Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech | $17.99 | | +0.18 | —
Dynamic Gwth Fd | $14.43 | | +0.04 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund | $11.80 | 12.49 | | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.70		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.03	7.48	+10.90	6mth
7-day Fnd	9.83	7.34	10.68	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.65	7.21	10.34	6-Mth
7-day Fund	9.83	7.35	10.55	6-Mth
Dollar	5.50	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	9.25	6.80	9.57	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	9.45	7.06	10.28	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.10	10.3338	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc.	10.00	7.47	10.88	Mth
Britannia Investment Services Ltd.				
74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	9.50	7.10	10.3338	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.625	7.19	10.47	Mth
U.S. Dollar	5.87	4.39	6.31	Mth
German Marks	4.0	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.81	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove 01-741 4942				
Money Market Plus	£5,000+	7.50	10.93	Mth
For other rates please 'phone our Ratelines 01-846 9766				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	9.45	7.06	10.28	Mth
Legal & General (Money Mngrs) Ltd				
355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.37	7.75	11.11	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.43	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.50	7.10	10.00	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.31	6.96	10.12	Daily
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.51	Qtr
£10,000 +	9.36	7.00	9.86	Qtr
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-256 9993				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acc.	9.375	7.01	—	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.75	7.29	10.55	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.25	7.66	11.17	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.23	6.90	10.06	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.56	7.14	10.34	Qtr
Money Acc	9.53	7.13	10.30	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 1SE 0752 24141				
High Int Chq Acc	10.18	7.60	11.08	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22		Qtr.

NOTES—Gross: rate to those exempt from composite ...

NOTES

... opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. § Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk.	44
BOC Grp.	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect.	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons.	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs.	30
Glaxo	180	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	$2\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	38
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
		Ultramar	18

A selection of Options traded is given on the London Stock Exchange Report Page.

Cool reception for EEC plan to pension off older farmers

BY TIM DICKSON IN BRUSSELS

EEC AGRICULTURE Ministers last night expressed strong reservations about a European Commission plan to pension off older farmers and encourage the young.

The proposal formed part of an important restructuring package unveiled in Brussels earlier this year in an effort to curb Community surpluses.

Besides an early retirement scheme for farmers over 55 and inducements to younger *farmers to switch production* for a minimum of five years in line with market needs, this included encouragement for those who carry out "environmentally sensitive" improvements and compensation for those who turn over their land to forestry.

"The idea of paying older farmers to retire so that the younger ones can take their place is as manifestly barmy as giving people petrol at a fire," Mr John Gummer, the UK's junior Agriculture Minister, commented yesterday. Other Ministers were said to be *equally critical of the proposal* which they feel could contribute to bigger surpluses rather than reducing them.

Despite its perceived imper*fections, however, the Com*mission's so-called "socio structural" plan is being taken as a serious starting point for discussion and the Commission is likely to be asked to come up with some revised recommendations.

Mr Michael Jopling, the new British President of the Council of Agriculture Ministers, emphasised that along with the reform of the beef and veal régime it would be "at the head of the list" of matters to be discussed during the six-month British presidency.

"Heads of Government," he reminded his Ministerial colleagues," reaffirmed the need to adapt the Common Agricultural Policy to changed circumstances. They called for better *control of* production so that it is more closely adjusted to the market situation and so that agriculture's share of expenditure can be reduced."

Besides their fundamental concern about the consequences of the Commission's proposals, Ministers are inevitably worried about the basic cost of the scheme which was estimated at ECus 900m in April. This year's EEC budget finally agreed in Strasbourg last week is widely recognised as falling well short of what is likely to be required for EEC agricultural spending in 1986. Moreover, in an effort to boost the sums needed for price intervention, Ministers knocked ECus 100m off the so called "guidance" section of the budget, which is devoted to support schemes such as the one under discussion yesterday.

Another part of the Commission's plan to attract criticism was the proposal to give special consideration to the "less favoured areas."

Commission warns on beef support cost

BY TIM DICKSON

THE EUROPEAN Commission yesterday forcibly reminded EEC Farm Ministers of the costs *of supporting* the Community's beef producers.

Mr Frans Andriessen, the Commissioner responsible for Agriculture, told Ministers at *their monthly meeting in Brus*sels that the Commission has budgeted to buy in 300,000 tonnes of beef in the financial year ending next April. But, in the first three months of 1986, he said some 220,000 tonnes have already been taken into Community intervention stores with every prospect that this figure will be substantially increased during the autumn marketing period. The Commission estimates the cost at Ecus 450 per tonne per year.

Mr Andriessen's warning shot was clearly designed to give new impetus to the Commission's proposals for reforming the beef regime, which have been on the table since last December.

These were discussed during the marathon price fixing negotiations *in April* but it was agreed then to postpone any decisions until the end of the year. Mr Michael Jopling, the new President of the Council, made it clear yesterday that he sees reform of the regime as one of the major priorities of the British presidency.

Yesterday, however, member states rehearsed their previously stated positions on the Commission's plan, reflecting a wide variety of objections. The proposals would ultimately lead to the complete dismantling of the intervention scheme except in cases of extreme market disruption (a caveat which has not yet been fully spelt out by the Commission). In order to compensate for the change, a single premium for specialist beef producers would be payable at a fixed rate regardless of market conditions. It would, however, only apply to suckler cows and the first 50 male animals on a farm, a condition which is fiercely opposed by Britain where only two fifths of the relevant producers would benefit.

Member states appear to be united in their determination to do something about the costs of intervention — the question, of course, is how. With the same degree of opposition *to its* proposals as before it is thought that the Commission will have to come back with new ideas in September.

Inspiration Copper reaches pay deal

INSPIRATION Consolidated Copper, a subsidiary of Inspiration Resources, has reached a tentative labour agreement with its copper workers, a union official said, **reports Reuter from New York.**

Contracts at Inspiration expired on June 30, but some 630 unionised employees remained at work while talks continued.

The union spokesman said the proposed three-year con*tract involves pay cuts, but also* provides for bonuses tied to the price of copper. He declined to give further details.

The tentative pact has to go *before the full* union bargaining committee and also the National Non-Ferrous Industry Steering Committee which determines whether to recom*mend it to members. A vote* by the rank and file would probably take place towards the end of this week.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(*Changes during week ending last Friday*)
(tonnes)

Aluminium	−1,125 to 135,425
Copper	+5,900 to 150,625
Lead	−1,325 to 42,150
Nickel	+240 to 4,240
Tin	−230 to 50,955
Zinc	−9,975 to 31,875
	(ounces)
Silver	unchanged at 35,988,000

Consumers raise cocoa pact price proposal

BY WILLIAM DULLFORCE IN GENEVA

COCOA CONSUMING countries yesterday offered a higher reference price and modified their proposal for a price adjustment mechanism, as negotiations on a new international cocoa agreement moved into their second week.

Mr Julian Onuora of Nigeria, the producers' spokesman, said the new price offer was unacceptable but delegates from the leading producing countries were meeting on their own in the evening to study the consumers' latest package offer.

It allows for a reference price of 102 cents a pound instead of the 100 cents the consumers offered last week and the 107.5 cents called for by the producers.

The price structure provides for an upper intervention price of 122 cents, a lower intervention level of 82 cents and, for *the buffer stock manager* a "may-buy" point of 87 cents and a "may-sell" point of 117 cents.

The decision to improve the *reference price on offer* was taken by the European Community countries after long consultations on Friday and contacts between negotiators *and their capitals over the* weekend and on Monday morning.

Other consuming countries accepted the structure on condition that the upper and lower intervention levels be put at 122 cents and 82 cents respectively, 2 cents further from the reference price than suggested by the EEC.

The consumers have also conceded that the cocoa price shall be adjusted when buffer stock purchases or sales within a period of six consecutive months reach 75,000 tonnes, as asked for by the producers.

*In return, however, the con*sumers want the maximum price revision triggered by the buffer stock changes to be 7.5 cents instead of the 6 cents they originally offered and the 5 cents demanded by the producers.

A further modification in the consumers' latest proposal con*cerns the annual review of* prices. The modification concedes that, even if the average of indicator prices over the preceding 12 months has been *above the upper or below the* lower intervention levels, prices need not be revised, if the average has been within the intervention levels during the two immediately preceding months.

Mr Onuora said the producers' response would be decided at a full meeting of producing countries this *morning.* Mr René Montes, the president of the UN cocoa conference, suggested that he would hold separate meetings with the two sides and *probably convene a restricted* meeting of major producers and consumers later in the day.

Mr Denis Bra Kanon, the Agriculture Minister of the Ivory Coast, the largest producer, was due back in Geneva from Paris yesterday evening. As the man who precipitated the collapse of the last round of talks on a new cocoa agreement, his role is regarded as being decisive.

Weather hits US and Soviet crop prospects

By Nancy Dunne in Washington

HOT DRY weather is decimating crops in both the US and the USSR. But so far it has not affected early season projections for plentiful worldwide grain production.

In the South-eastern US, a drought has limited water supplies and stressed about 12 per cent of the nation's soyabean crop. While relief for that area is in sight, according to Ms Gail Martell, chief weather forecaster for E. F. Hutton, the cooling weather may shove the drought west over the Mississippi Delta region, thereby threatening 30 per cent of the soyabean crop.

In the Soviet Union, heat and drought covered the Volga, Eastern black soils region and the North Caucasus in May and June and spread westward into the Ukraine. The winter and spring grains have both been damaged, according to a US Department of Agriculture analyst.

Last Friday the USDA dropped its estimate of the total 1986 Soviet grain crop to 180m tonnes, down 5m from the previous month. At least one commodity company has predicted a 168m tonne output.

But if the Soviets are worried, their concerns have failed to show up in the marketplace. According to the USDA, reports of purchases have been scarce. Buying of Argentine coarse grains has run short of expectations, and there have been no recent reports of Canadian sales.

Vegetable oils, the word is spreading

FARMER'S VIEWPOINT
By John Cherrington

SOME YEARS ago I visited China with a party of British farmers, one of whom was a well known dairyman who seemed to think he had a mission to improve the health of the world by increasing the population in general and the children in particular to consume more milk, butter and cheese. As part of the tour we visited a neighbourhood clinic *and kindergarten in Peking.* There we were much impressed by the children who, like all we saw in China, were models of health and vitality.

The dairyman asked the lady in charge how much milk her charges were given. "Milk" she replied, "have you not heard of cholesterol in the West?" *There is in fact very little scope* at present for dairying in modern China but these children, and the rest of the population too, seemed to keep fit on the fats and proteins contained in soya and other oil producing plants.

Quite a few in the West have taken to heart warnings about the dangers of milk products and generally speaking consumption of whole milk and butter has been giving way to margarine and other spreads, together with an increasing consumption of fat reduced milk. It is probable that this trend will continue, assisted by the rapidly increasing output of various vegetable oils, the composition of which can be controlled by manufacturing to suit every climate; from soyabean rapeseed and sunflower in temperate areas to coconut and palm oils in the tropics. Their qualities suit them to a wide spectrum of food and industrial uses and most of them provide, as well as their essential fat, a proportion of protein meal from the residues left after the oil is extracted.

There is also the question of price. The EEC price of butter *is set at about double the price* of margarine. The disparity is likely to get a great deal wider in the future as production of vegetable oil is increasing fast and the price *is falling.*

There are vegetable oil plants

The most important individual oilseed is the soyabean, which is widely cultivated in North America, Brazil and in many parts of the temperate and sub-tropical belt because it will tolerate a wide spread of climatic conditions. It is easily farmed under modern *extensive systems* and, *being a* legume, fits in well with a cereal rotation. Its oil content is about 17 per cent but the meal produced after crushing is a high-protein feed which can be fed to almost every class of livestock. At times the meal is more important financially than the oil produced.

Of the tropical producers the oil and coconut palms are the main plantation crops with groundnuts as the product of cultivated land. Total oil seed *production* has been *rising* steadily over the last 25 years and will increase further as new plantations in Malaysia and other tropical countries are *brought into bearing.* For many years one of the features of Western aid to the third world has been the establishment of palm oil plantations and spectacular results have been achieved, particularly in *breeding techniques using the* cloning process.

The oil palm readily lends itself to the use of fertilisers and to irrigation and in the predictable tropical climates can be turned into an industrial crop.

PRODUCTION OF VEGETABLE OILS
(millions of tonnes)

	1980-81	1983-84	1985-86
Soyabean	12.9	12.8	13.4
Palm	5.1	6.2	7.4
Groundnut	2.7	2.9	3.1
Coconut	2.9	2.3	3.0
Others	12.6	14.2	14.3
Total	36.2	38.4	41.2

Source: International Monetary Fund

All this is bad news for the world's dairying countries, the EEC, New Zealand and the US being the principal producers and exporters. *Set against a* total world production of 7.4m tonnes of factory butter total output of vegetable oil is now over 43.9m tonnes. Most of *these oils can be used for both* industrial and food purposes and can be adapted to almost every taste. They are also very much cheaper than butter.

But this is only one side of the equation. The by-product of the butter making process is skimmed milk powder which is an excellent animal feed. But because of market pressures the EEC is unable to sell it and there are now nearly 1m tonnes of it in intervention stores.

The intervention price for skimmed milk powder is £1,076 per tonne which is right out of the reckoning for most animal feed compounders when the price for soyabean meal which, I consider equally satisfactory for pig feeding, is well under £150 per tonne and fish meal at about £270.

Looking at this situation as a farmer I would think that dairy farming except for producing liquid milk is going to face even more pressure in the EEC. There are already some dairy interests demanding restrictions on the importation of vegetable fats but to concede these would be to fly in the face of a large sector of medical wisdom which does seem to be against dairy products.

In economic terms it does look as though in a straight *competitive situation vegetable* fats would have the advantage of being manufactured directly from the harvested seeds into the desired products while milk *has to pass through the* metabolism of a cow to be transformed to the final product which again would have to be manufactured into butter for *sale to the consumer.* Dairying is going to be in difficulties for a long time to come.

As a footnote it is worth pointing out that the crushing *subsidy needed to make UK* oilseeds competitive with imports is £168 ($253) per tonne. How long will it be before there is a mountain of rape seed and *other oil seeds in the Community?*

LONDON MARKETS

COFFEE PRICES yesterday followed through on the sharp gains recorded at the end of last week as concern about dry weather in the Brazilian growing belt continued to encourage speculative activity. On the futures market the September position, which has risen £121.50 on Friday, put on another £76 to reach £1,873.50 a tonne—just a week after touching a nine-month low of £1,600 a tonne. The cocoa market was also buoyant, reflecting growing optimism about the prospect of a workable international price stabilisation agreement emerging from the current round of talks between producers and consumers in Geneva. With weaker sterling against the dollar also encouraging buyers the September futures price advanced £41 to £1,379.50 a tonne. On the London Metal Exchange cash Grade A copper lost most of Friday's rise with a £10 fall to £887 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

KUALA LUMPUR TIN MARKET: Close 14.28 (14.28) ringgit per kg.

ZINC

GOLD

SILVER

MEAT

INDICES

REUTERS

July 14	July 11	M'th ago	Year ago
1411.4	1412.6	1560.8	1727.3

(Base: September 18 1931 = 100)

DOW JONES

BASE METALS

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

TEA

US MARKETS

THE COFFEE MARKET showed the liveliest movements of the day, with the deferred months again moving up the 4c limit, while the limitless September position at one point advanced almost 10c to reach its highest level since mid-June, when the breakthrough of the important 180c support level took place, reports Heinold. The buying activity was seen as spillover both from the technically constructive close on Friday and from a similarly strong London performance in the morning. Reports of an uninterrupted 40-day dry spell in certain Brazilian planting areas seemed to come to the foremost of traders' minds, encouraging commission house short-covering, led in the first instance by rumoured interest on the part of trade sources.

NEW YORK

CHICAGO

HEATING OIL

POTATOES

OIL

GAS OIL FUTURES

RUBBER

COTTON

SUGAR

FREIGHT FUTURES

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound weak on lower oil prices

Sterling fell sharply against the dollar and leading European currencies yesterday, reflecting a further decline in oil prices. North Sea Brent was quoted below $9 a barrel and this prompted a wave of speculative selling and pushed the pound to its lowest level since early March at which time it touched an all-time low against the D-Mark.

Against the D-Mark it fell to DM 3.2275, down from DM 3.2925 on Friday. Its record closing low was DM 3.20 touched on March 3 with a trading low of DM 3.1825 the same day. Against the dollar it slipped to $1.4815 from $1.5050 and Y237.50 compared with Y242.75. Elsewhere it closed at SFr 2.6350 from SFr 2.69 and FFr 10.3850 compared with FFr 10.5675. On Bank of England figures, its exchange rate index finished at 73.4, down from 73.9 at the opening and 74.6 on Friday.

The dollar initially derived some short-term support from position covering but remained within its recent trading range. Most dealers were convinced that the dollar would not find sufficient impetus to break through its upper resistance levels against a very bearish undertone. Further US economic data are due for release this week in the run up to next week's second quarter GNP figures.

Already Mr James Baker, US Treasury Secretary has stated that this year's growth figures would have to be downgraded from the earlier 4 per cent estimate. There are fears that further signs of weakness in the manufacturing sector may prompt heavy dollar sales with the Fed's concern about a lower dollar outweighed by a desire to avoid another economic recession.

The US unit fell back from the day's highs in late trading to finish DM 2.1795 from DM 2.1880 and Y160.25 from Y161.35. Elsewhere it slipped to SFr 1.7790 from SFr 1.7880 and FFr 7.01 compared with FFr 7.0225. On Bank of England figures, its exchange rate index was unchanged at 113.9.

DEUTSCHE MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. June average 2.3320. Exchange rate index 138.1 against 131.3 six months ago.

The Deutsche Mark was a little weaker against the dollar with trading volume on the low side in the absence of any fresh news. Once again the dolar lacked sufficient impetus to break out of its recent trading range and there was speculation that as technical support derived from short covering slowly dissipated so the dollar would react to a sluggish economy and lose ground. The dollar was fixed at DM 2.1910 after DM 2.1824 and there was no intervention by the Bundesbank. It closed at DM 2.1870 from DM 2.1795 on Friday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 160.50. June average 167.50. Exchange rate index 213.6 against 182.4 six months ago.

The yen finished slightly weaker in Tokyo yesterday but well up from the day's lows. The US dollar had opened on a firmer note as continued short-covering pushed it to a high of Y162.50. However, selling developed at this level and the dollar was unable to muster sufficient impetus to push through this resistance point. Consequently it eased back to close at Y161.35 compared with Y161.65 in New York and Y160.90 in Tokyo on Friday. Despite the short-term demand, many dealers still expected the dollar to ease in the longer term in reaction to poor economic data.

£ IN NEW YORK

July 14	Latest	Prev. close
£ Spot	$1.4825-1.4835	$1.4975-4.4980
1 month	0.46-0.43pm	0.4s-0.42pm
3 months	1.27-1.23pm	1.25-1.20pm
12 months	4.45-4.35pm	4.32-4.25pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4785-1.4925	1.4810-1.4820	0.48-0.45c pm	3.77	1.30-1.25 pm	3.44
Canada	2.0350-2.0610	2.0404-2.0432	0.39-0.29c pm	2.00	0.94-0.79 pm	1.69
Nethlnd.	3.63¾-3.67½	3.63½-3.64½	1¾-1¼c pm	4.53	4⅞-4¾ pm	4.40
Belgium	66.44-67.12	66.45-66.55	20-15c pm	3.16	54-47 pm	3.04
Denmark	12.06½-12.17¼	12.06½-12.07½	2¾-1¼ore pm	1.74	4¼-3¼ pm	1.32
Ireland	1.0780-1.0845	1.0785-1.0795	0.10-0.02p pm	0.67	0.30-0.10 pm	0.74
W. Ger.	3.22¾-3.26	3.22¾-3.23¾	1¾-1½pf pm	6.04	4⅝-4⅜ pm	5.58
Portugal	220.80-223.50	220.9-222.5	45-205c dis	−6.77	175-635 dis	−7.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]										

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 14	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]						

Long-term Eurodollars: Two years 7⅛-7⅜ per cent; three years 7⅜-7⅝ per cent; four years 7⅝-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

July 14	Bank of England Index	Morgan Guaranty Change %
Sterling	73.4	−17.9
U.S. dollar	115.9	+4.6
Canadian dollar	78.9	−11.5
Austrian schilling	127.2	+7.4
Belgian franc	95.3	−7.3
Danish Kroner	86.2	−0.8
Deutsche mark	135.1	+15.6
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 14	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

* CS/SDR rate for July 11: [illegible]

Figures for the Other Currencies table was not available for this edition.

STERLING INDEX

	July 14	Previous
8.30 am	73.9	75.0
9.00 am	73.8	75.0
10.00 am	73.6	75.0
11.00 am	73.6	75.0
Noon	73.6	74.9
1.00 pm	73.6	75.0
2.00 pm	73.5	74.7
3.00 pm	73.5	74.6
4.00 pm	73.4	74.6

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 14	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]					

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Sharp fall

Sterling prices fell sharply in the London International Financial Futures Exchange yesterday. Sentiment was influenced by sterling's sudden decline as the market reacted to weaker oil prices. Three-month sterling deposits reacted with greater vigour than a small rise in cash prices might have otherwise suggested. Oddly enough the futures sector had been seen to be gearing itself for a long pause before the next cut in base rates and sterling's fall appeared to take a disproportionately heavy toll.

The September price opened at 90.30 down from 90.42 and was sold initially down to 90.27 before short covering took it briefly to 90.31. From then on sellers gained the upper hand and the price fell to a low of 90.14 as the pound declined. It finished at 90.17.

Gilt prices were sold in heavy volume, failing to gain support from US bonds and saved from closing at the day's low by a little late short covering. The September price opened at 120-18 down from 121-07 and dropped to a low of 119-05 before finishing at 119-15.

Euro-dollars were virtually unchanged on the day while US bonds were helped by a bullish trend sufficient to survive light selling after the start of trading in Chicago and to finish slightly firmer on the day.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
[illegible]								

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
[illegible]								

LIFFE £/$ OPTIONS

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
[illegible]								

LONDON SE £/$ OPTIONS

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
[illegible]								

PHILADELPHIA SE £/$ OPTIONS

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	[illegible]							
1.35	[illegible]							
1.40	[illegible]							
1.45	[illegible]							
1.50	[illegible]							
1.55	[illegible]							
1.60	[illegible]							

LIFFE—EURODOLLAR OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
[illegible]								

Previous day's open int. Calls 881, Puts 1,120

CHICAGO

[illegible]				

LONDON

[illegible]				

CURRENCY FUTURES

[illegible]				

MONEY MARKETS

Sterling's fall reverses sentiment

Interest rates rose in London yesterday, reversing Friday's easier tone and once again erasing hopes of an early cut in clearing bank base rates. Friday's accommodative stance by the Bank of England was forgotten as sterling lost over 1½ per cent of its value against leading currencies while oil prices continued to tumble.

Three-month interbank money was quoted at 9⅞-10⅛ per cent up from 9⅝-10 per cent on Friday and the market's uncertainty was reflected in the yield curve out to one year which ended up flat. Overnight money opened at the day's high of 10⅛ per cent and drifted down to 5 per cent before finishing at 7 per cent bid.

The Bank of England forecast a shortage of around £250m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £508m and banks' balances brought forward £5m below target. These were partly offset by Exchequer transactions which added £55m and a fall in the note circulation of £225m.

The shortage was later revised to around £300m and the Bank gave assistance of £109m through outright purchases of eligible bank bills, £2m in band 1 at 9⅞ per cent, £5m in band 2 at 9⅞ per cent and £102m in band 4 at 9⅞ per cent.

Once again the forecast was revised, this time to a shortage of around £350m. The Bank gave additional assistance in the afternoon of £97m through outright purchases of [illegible] of eligible bank bills in band 1 at [illegible] per cent, [illegible] in band 2 at [illegible] per cent, and [illegible] in band 4 at [illegible] per cent. Late help came to [illegible], making a total of £366m.

In Frankfurt call money was quoted at 4.4 per cent from 4.375 per cent as liquidity levels were drained by a new round of tax payments. However there were few expectations of the Bundesbank acting to inject funds unless call money becomes considerably more expensive. Commercial banks are currently well placed to meet end-of-month minimum reserve requirements.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7¾
Fed funds	6⅞
Fed funds at intervention	6⅞

Treasury Bills & Bonds

One-month	5.53
Two-month	5.70
Three-month	5.93
Six-month	6.07
One year	6.16
Two-year	6.56
Three-year	6.77
Four-year	6.89
Five-year	6.98
Seven-year	7.18
10-year	7.25
30-year	7.18

FT LONDON INTERBANK FIXING

(11.00 a.m. July 14)

Three months US dollars		Six months US dollars	
bid 6 7/16	Offer 6 9/16	bid 6 7/16	Offer 6 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 14	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-10⅛	9¾-10	9⅞-10⅛	9⅞-10 1/16	9 15/16-10 1/16	9 15/16-10 1/16
Sterling CDs	—	—	9 15/16-10 1/16	9⅞-10	9⅞ 10	9 15/16-9 15/16
Local Authority Depos	9⅝-10	9¾-9⅞	9 15/16-9 15/16	9 15/16-9 15/16	9⅞	9¾
Local Author'y Bonds	—	—	10⅛	10⅛	10⅛	10
Discount Mkt Depos.	6-9⅞	9¾-10	9¾	9¼	—	—
Company Depos.	9½-10	9⅞-10¼	10-10¼	10-10⅛	—	—
Finance House Depos	—	—	10 1/16	10	10	10
Treasury Bills (Buy)	—	—	9 9/16	9 7/16	—	—
Bank Bills (Buy)	—	—	9 9/16	9 7/16	9½	—
Fine Trade Bills (Buy)	—	—	10 5/16	10 3/16	10⅛	—
Dollar CDs	—	—	6.50-6.55	6.45-6.50	6.45-6.50	6.60-6.65
SDR Linked Depos	—	—	6 7/16-6 7/16	6 7/16-6 7/16	6 7/16-6 7/16	6¼-6½
ECU Depos	—	—	7 7/16-7 7/16	7 7/16-7 7/16	7 7/16-7 7/16	7⅛-7¼

Treasury Bills (sell): one-month 9 17/32 per cent; three months 9 5/16 per cent. Bank Bills (sell): one-month 9 17/32 per cent; three months 9 5/16 per cent. Treasury Bills: Average tender rate at discount 9.3907 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive) 9.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from June 25. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

July 14	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Interv'tion
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.5
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

Company Notices

CHARTER CONSOLIDATED PLC
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the twenty-first annual general meeting of members of Charter Consolidated P.L.C. will be held in the Caxton Suite at the London International Press Centre, 76 Shoe Lane, London EC4A 3JB (New Street Square entrance), on Tuesday 5 August 1986 at 12 noon for the following purposes:

1. To consider the accounts and the report of the directors for the year to 31 March 1986.
2. To declare a final dividend.
3. To reappoint as directors Mr. G. W. H. Relly, Mr. P. C. D. Burnell, and Sir Robert Hunt.
4. To reappoint Coopers & Lybrand as auditors and authorise the board to fix their remuneration.
5. To consider the following resolution which will be proposed as an ordinary resolution:

"That, pursuant to section 80 of the Companies Act 1985, the directors of the company be hereby authorised for a period of five years ending on 4 August 1991 to allot all or any of the 29,658,226 unissued shares of the company, and to grant any right to subscribe for, or to convert any security into, shares in the company, to such persons, at such times, and upon such terms and conditions as the directors may determine."

6. To consider the following resolution which will be proposed as an ordinary resolution:

"That the directors be authorised for a period of five years ending on 4 August 1991 to approve contributions by the company for political purposes (as defined in the Companies Act 1985) where they are judged to be in the interest of the company and its shareholders, up to a maximum amount of £25,000 per annum."

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company.

Registered office:
40 Holborn Viaduct,
London EC1P 1AJ.
10 July 1986.

By Order of the Board
E. G. RUDLAND.
Secretary.

NOTES

1. To be valid the form of proxy must reach the company's registrars in the United Kingdom, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, not less than 48 hours before the meeting.
2. Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer, copies of which are available from the registered office of the company and the office of its registrars in the United Kingdom and from the company's overseas paying agents.
3. A director's service contract is available for inspection at the registered office of the company during usual business hours until the date of the meeting and may be inspected at the place of the meeting for at least 15 minutes prior to and during the meeting.

Holders of share warrants to bearer may obtain a copy of the annual report and accounts upon application to 40 Holborn Viaduct, London EC1P 1AJ.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on July 14, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]								

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	100½	Exch. 14pc 1986	101		13.87	10.09
	94	Exch. 2½pc 1986			2.55	7.16
102	100	Exch. 13¼pc 1987	101		13.05	10.03
100	97	Treas 10¼pcCv '87	100		10.24	10.02
97	92	Exch 2½pc 1987	97¼		2.57	9.14
101	97	Exch 10½pc 1987	100		10.46	9.92
	93	Funding 6½pc '85-87‡‡	98		6.63	8.96
101	96	Treas. 10pc 1987	100		9.99	9.81
97	90	Treas 3pc 1987	96		3.13	7.23
104½	99	Treas. 12pc 1987	102		11.73	9.91
	92	Treas 7¾pc 1985-88‡‡	97		7.92	9.26
104	96	Exch 10½pc '88	101¼		10.37	9.70
102	95	Treas 9¾pc Cv '88	100		9.75	9.69
94	86	Transport 3pc '78-88	92		3.24	6.96
102	93	Treas. 9½pc '88			9.54	9.64
107	98	Treas 11½pc 1989	104		11.04	9.60
103½	93	Treas 9½pc Cnv. '89	99		9.53	9.58
92	82	Treas 3pc 1989	89½		3.36	7.15
105	95	Treas 10½pc 1989	102¼		10.27	9.58
104		Exch 10pc 1989	101		9.89	9.55
107	97	Exch 11pc 1989	103		10.59	9.48
93	84½	Treas 5pc 1986-89	91½		5.45	7.89
110	94	Exch 10¼pcCv '89	105		9.62	7.94
114	103	Treas 13pc 1990‡‡	110		11.70	9.20
108	97	Exch 11pc 1990‡‡	104½	-1	10.43	9.20
113	103	Exch. 12½pc 1990	108		11.36	9.22

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	290	–3	8.5	1.7	4.1	18.2
23½	15½	Morris (W) F.A. 20p	18	–½	—	—	—	—
139	96	Moss (Robt.) 10p	130		3.3	2.7	3.6	14.0
143	65	Myson Grp 10p	135	–2	2.63	2.6	2.7	17.4
365	259	NMW Computers	300		6.0	3.0	2.8	17.3
40	27	Nash Inds	39		0.5	—	1.8	—
27½	15½	Neil & Spencer 10p	23	+½	—	—	—	—
38	28	Newman Inds 10p	38	+1	0.8	1.2	3.0	(36.5)
130	65	Noble & Lund 10p	118	–4	0.7	4.3	0.8	38.8
65	44	Nolton	52	–3	0.95	7.0	2.6	7.4
138	96	Norank Systems 5p	130	+4	3.0	ϕ	3.2	ϕ
286	187	Norcros	264	–3½	9.3	2.2	5.0	12.6
173	49	Nu-Swift 5p	173	+13	3.5	2.1	2.8	23.3
£303	£228	OCE 9pc Cnv 1987-92	£292		Q9%	—	f3.1	—
118	80	Oakwood Grp	97		5.0	1.3	‡	13.5
250	203	Office & Elect	233		8.5	2.9	5.1	9.5
102	70	Oldacre 20p	100	+7	5.0	ϕ	7.3	ϕ
36	20	Optometrics $0.01	29		—	—	—	—
820	500	Oriflame £1	810		24.5	2.1	4.3	15.7
10	6	Owenstone 12½c	6		Q3.23c	1.9	14.1	3.7
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
142	85	PCT Grp 10p	139		3.2	1.2	5.1	(32.0)
£20½	950	PLM 'B' Sk 25	£15⅞	+⅛	Q23.2%	0.3	4.1	—
184	114	PSM Intl	172		5.5	2.1	4.5	13.1
255	167	Pacer Systems $0.02	215		3.8	3.4	1.2	24.0
78	56	Pacific Sales 10p	64		3.0	2.1	6.6	8.4
342	225	Park Place 10p	330		6.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	430		9.5	2.9	3.1	15.6
545	208	Parkfield Group 5p	545	+10	2.4	2.4	0.6	92.1
53	30	Parton Intl	32	–1	—	—	—	8.5
£130	£92	Do 11pc CvLn '94-02	£102		Q11%	—	11.2	—
608	393	Pearson	528	–25	10.0	2.8	2.7	17.6

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
63½	30	Anglo-Dominion	63½	+6½	—	—	—
42	23½	Anglo Utd Dev	27	+3½	1.07	ϕ	5.6
80	45	Colby Res Corp	46½	+1	—	—	—
300	130	Cons Murch 10c	145	+5½	Q100c	ϕ	13.9
34	28	Ennex Int. Ir10p	33	+1	—	—	—
102	70	Greenwich Res	92		—	—	—
157	93	Hampton Areas 10p	146		ϕ1.0	—	1.0
250	165	Highwood Res.	228		—	—	—
£19⅝	£13⅛	Homestake Mining $1	£14½	+⅛	Q20c	—	0.9
310	175	McFinley Red Lake	196	+6	—	—	—
285	190	Muscio Explorations	196	+6	—	—	—
51	33	New Sabina Res C$1	37		—	—	—
260	200	Northgate C$1	213	+6	—	—	—
790	513	RTZ	587	–3	22.0	2.8	5.3
£164	£115	Do. 9⅛pcLn '95-2000	£134	+½	Q9½%	15.5	17.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60		Fin. 13% 97/02	£118¾	–1¼
Craig & Rose £1	£11		Arnotts	325	
Finlay Pkg 5p	43		CPI Hldgs	43	
Holt (Jos) 25p	820		Carroll Inds	160	
IoM Stm. £1	85		Dublin Gas	53	
			Hall (R & H.)	74	
IRISH			Heiton Hldgs.	31	
Fund 11¾% 1988	£102¼	–⅛	Irish Ropes	180xd	–9
Nat 9¾% 84/89	£100	–1	Unidare	205	

"Recent Issues" and "Rights" Page 39
(International Edition Page 35)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Sterling weakness triggers setback in Gilts and equities

London financial markets were dominated by worries about sterling yesterday. Government Securities fell sharply in the wake of a further setback in the pound against major currencies amid a fresh slide in spot crude prices. Blue chip industrials were not immune and soon joined the retreat.

Any lingering hopes of a reduction in UK base rates were dashed as sterling weakened along with the Gilt-edged sector which recorded falls extending to over a point in the medium and longs ranging to almost 2 points in the longer maturities. Selling, however, was relatively light, the reaction being largely triggered off by a heavy volume of sales of the Gilt contract in the London financial futures markets.

The first day of a new Account in the equity sectors proved to be equally sombre. Potential buyers went to ground in the surrounding uncertainty and leading shares moved progressively lower on occasional nervous offerings which found the market unwilling. Wall Street's failure to respond favourably to the reduction in the discount rate, transatlantic opening indications were sharply lower yesterday — affected sentiment in the late dealings and final quotations were around the day's lowest.

Reflecting the extent of the fall, the Financial Times Ordinary share index closed 27.4 down at 1309.9, while the more broadly based FT-SE 100 share index dipped 29.1 to 1597.3.

The failure of Lloyds Bank's came as no surprise, but bid for Standard Chartered prompted a reaction of 57 to 718p in the latter as recent speculative positions were unwound.

Despite the surrounding gloom, there were still a number of good rises, mainly in response to takeover speculation, while week-end Press also resulted in several noteworthy gains.

Banks drift

Apart from Lloyds, which touched 429p prior to closing a couple of pence dearer at 422p in the wake of its unsuccessful bid for Standard Chartered, the major clearing banks drifted lower in the absence of support. Falls of 8 were common to Barclays, 522p, Midland, 542p and NatWest, 512p. Merchant banks took a distinct turn for the worse. *Morgan Grenfell fell 14 to 461p* and Brown Shipley lost 25 at 515p; Kreditbank Luxembourgeoise has increased its stake in Brown Shipley to 25.5 per cent. Hill Samuel and Kleinwort Benson both shed 10, to 375p and 750p respectively, while Mercury International gave up 25 to 705p. Elsewhere, *Goode Durrant Murray, a rising market recently on the Impala Pacific stake news, came back 11 to 115p.*

Losses among Composite Insurances extended well into double figures. Falls of 20 were seen in General Accident, at 842p, Guardian Royal Exchange, 890p, and Royals, 842p. Sun Alliance fell 17 to 710p and Commercial Union gave up 7 to 311p. Life issues were also depressed with Legal and General 7 down at 273p and Abbey Life 6 lower at 190p; the latter's annual results are due on Thursday. Lloyd's brokers moved against the trend on currency influences. Sedgwick rose 8 to 338p and Stewart Wrightson moved up 10 to 428p. Hogg Robinson firmed 6 to 288p and C. E. Heath 4 to 519p.

Unilock staged a satisfactory market debut; the shares, placed at 63p, opened at 67½p and, in a reasonable two-way trade, touched 69p prior to closing at 68p, a first-day premium of 5.

Persistent nervous offerings prompted double-figure falls among leading Breweries. Allied-Lyons, 330p, Whitbread A, 280p, and *Guinness, 330p, all shed 10*, while Bass dipped 12 to 763p. Regionals, however, were relatively resilient: Greene King hardened a couple of pence to 210p following the full-year figures, while a newsletter recommendation lifted G. Ruddle 10 to 185p. Cider concern H. P. Bulmer put on 3 more to 168p in front of tomorrow's preliminary figures.

Buildings were relatively steady and final losses were usually modest. Blue Circle slipped 5 to 617p and RMC softened 4 to 662p, while Rugby Portland Cement cheapened a penny to 163p. BPB Industries, a particularly firm market recently on re-rating considerations, came back 7 to 538p, while Tarmac lost 5 at 490p. Occasional selling clipped 2 from Barratt Developments at 138p and 3 from George Wimpey at 208p. John Laing gave up 7 to 478p and Costain eased 4 to 556p. Elsewhere, Wiggins, a firm market recently on Press comment, shed 2½ to 107p xd, while Raine Industries, still awaiting the outcome of merger talks, eased 3 to 79p. George Dew lost a penny to 97p following details of lower half-year profits, but Robert M. Douglas added 3 to 137p.

ICI, marked up to £10 initially on currency influences, drifted off in the absence of demand to close 6 cheaper on balance at 990p. Laporte remained on offer at 375p, down 8, while Wolstenholme Rink lost the same amount at 220p. On the other hand, Coalite, hardened a couple of pence to 290p on persisting hopes of a bid from I C Gas, while Evode firmed 3 to 128p in reply to the increased interim profits. Allida Holdings responded afresh to acquisition news with a gain of 17 to 285p.

Diminishing prospects of cheaper money in the near future unsettled confidence in major high-street Retailers. Quotations gave ground throughout the session, and although a slightly firmer tone developed after-hours, losses still extended to 25 as in Woolworth, 630p. Harris Queensway, 234p, W. H. Smith A, 290p, and Burton, 284p, all shed 10, while Marks and Spencer dipped 5 to 198p. Dixons, scheduled to reveal annual figures tomorrow, gave up 6 to 324p. Ratners, up to 177p in immediate response to the widely-anticipated excellent full-year results, met occasional profit-taking and reverted to unchanged on balance at 173p. Some noteworthy firm spots emerged among the more speculative issues. Blacks Leisure revived with a gain of 2½ to 11½p, while Lanca, the handbag merchants advanced 5 to 49p.

Electricals gave ground across a broad front. British Telecom fell 8 to 198p, while similar losses were noted for GEC, 192p, Plessey, 220p, and BICC, 283p. Systems Designers slumped to 88p before settling 14 cheaper on balance at 92p following a downgrading of profits by brokers James Capel. United Leasing dipped 10 to 165p in reaction to the disappointing preliminary figures and proposed 28.2m rights issue. Press comment was responsible for a few firm spots, however, with First Security 12½ to the good at 165p xd, and Domino Printing Sciences 6 up at 335p xd. CASE, on the other hand, fell 4 to 68p the annual results are scheduled for next Monday.

Engineers came under increasing pressure as the session wore on, despite talk of a favourable *review of the sector by a leading* brokers and numerous favourable comments in the weekend Press. Of the leaders, Hawker Siddeley were notably weak and dropped 15 to 534p while falls ranging from 7 to 10 were common to Vickers, 433p, GKN, 349p, TI, 328p, Simon Engineering, 263p. McKechnie, which recently fought off a bid from Evered, eased 6 to 222p. Hallite were marked down 25 to 190p; the interim results were accompanied by news that discussions with a possible bidder have been terminated. Crown House edged up to a 1986 high of 224p immediately following the results, but subsequently eased to close a net 2 higher at 222p.

Leading Foods lost ground. Tate and Lyle slipped 4 to 586p and United Biscuits softened a couple of pence to 249p. Unigate gave up 4 to 296p and Rowntree Mackintosh lost a few pence at 432p. Retailers moved progressively lower with J. Sainsbury closing 6 off at 386p and Tesco 2 cheaper at 375p. Elsewhere, USM-quoted Slaters Foods gained 22 to 190p in a restricted market, excited by news that dealings in Mayhew Foods had been suspended at 115p pending an announcement.

Glaxo down

International stocks failed to benefit from the fall in sterling. Glaxo closing 25 lower at 965p and Beecham 12 cheaper at 428p. Elsewhere in the miscellaneous industrial sector, Staffordshire Potteries advanced 10 to 153p on the agreed offer from Colorol which closed a couple of pence lower at 210p. Pearson, a recent bid favourite, met with selling following a newspaper "sell" recommendation and closed 25 down at 528p. Norman Hay, the subject of persistent takeover speculation last week, also came on offer and dipped 25 to 155p. Parkfield Group, reflecting favourable Press mention, improved 10 to 545p, while Nu-Swift, still on Hawley Group bid hopes, advanced 13 more to 173p, after 180p. Metal Closures responded to a newsletter recommendation with a rise of 6, closed 8 higher at 178p following the increased offer from Mysou; the latter ended 2 lower at 135p. Demand ahead of the preliminary figures due on Friday left Cowan De Groot 8 higher at 70p. Keep Trust rose 8 more to 135p and press mention left Dean and Bowes 11 to the good at 76p.

International Leisure provided an isolated bright spot in the Leisure sector, firming 6 to 127p ahead of today's preliminary results.

Jaguar, dull towards the end of the previous Account following a broker's "sell" recommendation, remained out-of-favour and dipped 10 more to 538p. BL fell 6 to 44p, while Friday's speculative rally in ERF proved to be short-lived, the shares retreating 8 to 103p.

In Properties, Land Securities settled 5 cheaper at 339p and MEPC a like amount off at 355p. Outside the leaders, Abaco shed 5 to 83p following details of the agreed £5.3m acquisition of estate agents Messenger May Baverstock. United Real rose 15 to 840p following a bid approach, while USM-quoted Trencherwood gained 50 to 470p following favourable press comment. Belgrave Holdings were a firm market at 124p xd, up 11½p, while Mountview Estates revived with a gain of 40 at 720p and Warnford moved up 20 to 600p. Clayform firmed 5 to 253p, after 290p; the warrants touched 100p prior to closing at 70p. Demand in a restricted market lifted New Cavendish 15 to 105p. Marler Estates rose 25 to 525p and St Modwen added a penny more to 25½p.

Textiles continued to present an irregular appearance. Courtaulds dipped 5 to 286p, while Dawson International eased a few pence to 262p. Bulmer and Lumb, chased up to a new peak of 127p at one stage, reacted sharply and finally settled 16 cheaper on balance at 92p following news that bid discussions with John Haggas had been terminated. Textured Jersey fell 11 to 167p as the increased preliminary profits were outweighed by the cautious statement on current trading. In contrast, favourable press comment lifted Stroud Riley Drummond 7 to 130p xd, while Sekers International revealed annual figures and hardened 4 to 128p.

An otherwise lacklustre session in Financials was enlivened by Authority Investments which advanced 35 more to a new peak of 400p on persistent hopes of a "shell" operation in the wake of the bid from Management Group.

Oil majors steady

Renewed pressure on oil prices had little impact on the oil majors which continued to hold up well reflecting the latest fall in sterling. BP, the subject of a buy recommendation from De Zoete and Bevan, were only a fraction easier at 563p, while Shell managed a marginal gain at 780p. Other oils, however, proved less resilient and Britoil gave up 6 to 141p. LASMO 7 to 88½, after 85p, and Tricentrol 3 to 40p. Burmah were persistently sold and settled 11 cheaper at 402p.

South African Gold shares showed only moderate falls in sterling terms—a reflection of the latest setback in the pound against the dollar—but the underlying trend in the sector was one of marked weakness. The slide in sterling cushioned numerous hefty losses in dollar terms, which were triggered by a decline in the bullion price and another bout of weakness in the Financial Rand. The latter retreated to a record low of around 19.75 cents against the dollar during the afternoon. Selling pressure in Golds, which was additionally encouraged by the build-up of political pressure on the South African Government, met little support from international trading centres and shares prices generally ended at or around the day's lowest levels.

The Gold Mines index, calculated in sterling terms, fell 1.7 to 196.4, while bullion gradually gave ground to close a net $2.5 off at $345.5 an ounce.

A generally neutral performance by overnight Sydney and Melbourne markets was followed by a good rally in the Australian dollar against sterling and "down-under" issues picked up to close with widespread gains. Golds, a firm market in Australia, were well supported in London and provided features in Central Norseman and Gold Mines of Kalgoorlie which rose 12 apiece to 347p, and 375p respectively. Among the junior gold stocks press comment prompted demand for Jason Mining, 3 up at 35p and Julia Mines, 2 harder at 26p. The top diversified issues drew particular strength from sterling's fall against the Australian dollar. Rises of around 6 were common to CRA, 254p, Peko-Wallsend, 222p, and Western Mining, 132p.

Traded Options

The latest shake-out in London equities failed to dampen enthusiasm for Traded Options. Total contracts struck amounted to 17,072 comprising 10,826 calls and 6,246 puts, with the FT-SE 100 contributing 738 calls and 1,114 puts. Elsewhere, Hanson Trust were particularly lively with 2,338 calls transacted, while British Telecom attracted 1,068 calls and 556 puts.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17

For rate indications see end of Unit Trust Service

Money was given for the call of Amstrad, I. and J. Hyman, Electronic Data, Accord Publications, Highland Distilleries, Ryan International, Hawtin, Wellman Engineering, Pentland Industries, Chrysalis, Birmingham Mint, Underwoods, Bristol Oil and Minerals, Newman Industries, Abaco, Arthur Lee, Plessey, Hanson Trust, S. and U. Stores, Associated British Engineering, Raine Industries, United Scientific, Parkfield Group and Nolton. *No puts or double options were reported.*

FINANCIAL TIMES STOCK INDICES

	July 12	July 11	July 10	July 9	July 8	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.92	89.91	90.41	90.66	90.80	83.12	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.15	96.87	97.12	97.16	97.16	87.50	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1309.9	1337.3	1340.6	1331.5	1331.7	957.2	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	196.4	198.1	203.6	202.4	197.3	399.6	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.22	4.14	4.13	4.15	4.18	4.96				
Earnings Yld.%(full)	10.16	9.93	9.90	9.95	10.03	12.38				
P/E Ratio (net) (*)	11.97	12.27	12.30	12.24	12.14	9.87				
Total Bargains (Est)	27,706	30,448	28,527	28,555	32,750	20,495				
Equity Turnover £m.	—	786.95	798.15	611.33	565.14	273.20				
Equity Bargains	—	27,983	26,603	23,582	29,969	16,386				
Shares Traded (ml).	—	333.4	313.3	237.3	248.8	149.9				

S.E. ACTIVITY

Indices	July 11	July 10
Gilt Edged Bargains	138.6	147.6
Equity Bargains	181.3	172.4
Equity Value	1,590.6	1,613.3
5-Day Average		
Gilt Edged Bargains	136.5	136.3
Equity Bargains	178.4	175.4
Equity Value	1,319.5	1,282.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1334.7	1327.7	1324.4	1321.3	1319.8	1317.2	1315.4	1311.2

Day's High 1334.7. Day's Low 1309.9.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.57.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday July 14 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri July 11 Index No.	Thurs July 10 Index No.	Wed July 9 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	722.85	-1.4	8.45	3.39	15.07	9.26	732.48	735.13	733.17	494.82
2 Building Materials (26)	817.92	-1.5	8.44	3.51	14.55	11.47	822.87	826.59	818.57	517.72
3 Contracting, Construction (30)	1257.26	-0.9	7.68	3.63	18.81	18.95	1268.44	1267.44	1255.95	773.86
4 Electricals (12)	1804.85	-1.1	7.75	4.07	16.31	33.09	1890.40	1891.41	1885.49	1312.54
5 Electronics (38)	1604.95	-3.0	9.48	2.93	14.06	12.41	1655.19	1657.88	1665.24	1325.44
6 Mechanical Engineering (61)	405.85	-1.1	9.53	3.97	13.57	6.44	409.47	418.47	410.62	277.16
8 Metals and Metal Forming (7)	350.38	-1.2	[illegible]	4.86	15.41	5.82	354.91	358.40	366.56	168.54
9 Motors (16)	305.97	-1.5	8.42	3.16	13.53	3.78	310.43	312.99	311.79	152.91
10 Other Industrial Materials (22)	1296.85	-0.8	6.36	3.76	18.76	17.26	1309.41	1319.42	1316.56	892.28
21 CONSUMER GROUP (183)	916.25	-1.4	7.46	3.38	16.59	12.99	923.57	931.95	923.57	619.94
22 Brewers and Distillers (22)	927.03	-1.9	9.51	3.46	13.12	13.25	945.36	951.07	945.52	611.86
25 Food Manufacturing (22)	685.97	-0.4	9.28	3.80	14.10	12.20	688.40	687.66	683.57	482.85
26 Food Retailing (15)	1836.30	-1.4	6.38	2.75	21.82	16.13	1851.38	1860.38	1851.48	1525.25
27 Health and Household Products (10)	1543.37	-1.8	5.41	2.23	21.78	11.71	1571.98	1571.25	1564.26	984.69
29 Leisure (28)	895.94	-2.1	7.96	3.99	16.68	18.83	914.74	920.61	903.80	604.64
32 Publishing & Printing (14)	2576.57	-0.6	7.46	3.38	17.38	48.48	2591.76	2585.98	2582.41	1716.60
33 Packaging and Paper (14)	549.64	+0.1	6.67	3.38	18.97	6.75	550.00	552.49	547.59	326.53
34 Stores (39)	865.23	-2.3	6.94	2.85	19.59	10.49	885.57	884.99	875.99	635.17
35 Textiles (17)	546.76	-1.6	8.04	3.54	13.62	8.01	555.27	555.45	555.26	359.93
36 Tobaccos (2)	1108.90	-2.7	13.54	4.41	8.16	20.60	1139.26	1144.90	1118.14	782.37
41 OTHER GROUPS (88)	773.72	-1.7	8.69	4.00	14.78	8.50	786.88	786.78	778.13	644.26
42 Chemicals (20)	922.72	-0.5	8.97	4.26	13.25	17.64	927.38	935.49	925.57	[illegible]
44 Office Equipment (4)	254.80	+0.4	7.52	4.81	16.55	4.59	252.94	254.66	255.67	183.42
45 Shipping and Transport (13)	1486.89	-1.2	7.77	4.19	16.28	28.44	1505.86	1502.29	1494.59	1105.88
47 Telephone Networks (2)	885.31	-3.4	10.43	4.36	13.09	9.09	915.45	922.91	924.78	—
48 Miscellaneous (49)	1066.94	-1.1	6.33	3.18	19.78	11.66	1078.83	1079.88	1068.20	773.75
49 INDUSTRIAL GROUP(483)	860.04	-1.6	8.21	3.45	15.45	20.70	873.67	854.61	868.13	608.45
51 Oil & Gas (17)	1176.70	-0.8	17.38	7.68	6.89	43.46	1178.65	1173.77	1169.93	1315.51
59 500 SHARE INDEX(500)	877.08	-1.4	9.16	3.89	13.64	13.19	889.88	893.13	877.29	664.91
61 FINANCIAL GROUP (117)	611.96	-1.4	—	4.37	—	11.21	620.84	619.48	614.02	467.51
62 Banks (7)	654.43	-1.6	16.86	5.39	6.23	14.83	665.19	662.38	653.35	506.04
65 Insurance (Life) (9)	885.47	-1.2	—	4.22	—	17.27	904.04	903.71	898.42	714.65
66 Insurance (Composite) (7)	488.71	-2.3	—	4.25	—	9.46	499.97	495.72	494.51	361.81
67 Insurance (Brokers) (9)	1162.87	+1.3	8.98	4.11	14.55	23.40	1148.37	1164.68	1151.43	1090.35
68 Merchant Banks (12)	349.64	-1.6	—	3.11	—	4.36	357.28	358.34	355.44	257.61
69 Property (50)	882.65	-0.4	5.41	3.41	24.49	18.81	887.14	882.08	796.88	591.53
70 Other Financial (23)	343.55	-0.7	7.99	4.47	15.39	5.75	346.07	348.55	344.73	264.34
71 Investment Trusts (101)	759.51	-0.1	—	2.74	—	7.71	760.40	759.84	758.18	546.68
81 Mining Finance (2)	262.85	-0.7	13.75	6.32	8.48	6.11	264.77	264.92	267.62	263.57
91 Overseas Traders (14)	678.81	-0.6	11.26	6.40	10.53	19.63	682.78	685.49	677.05	614.79
99 ALL-SHARE INDEX(734)	794.26	-1.4	—	3.97	—	12.45	805.36	808.63	799.88	599.06

	Index No.	Day's Change	Day's High	Day's Low	July 11	July 10	July 9	July 8	July 7	Year ago
FT-SE 100 SHARE INDEX ‡	1597.3	-29.1	1621.9	1597.3	1626.4	1626.7	1614.6	1599.0	1631.0	1243.6

FIXED INTEREST

PRICE INDICES	Mon July 14	Day's change %	Fri July 11	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	122.17	-0.50	122.78	—	6.52
2 5-15 years	140.53	-1.04	142.00	—	6.98
3 Over 15 years	147.14	-1.29	149.07	—	7.57
4 Irredeemables	163.36	-1.49	165.83	—	7.22
5 All stocks	136.66	-0.92	137.93	—	6.92
Index-Linked					
6 5 years	112.72	-0.32	113.08	—	3.18
7 Over 5 years	115.41	-0.67	116.18	—	1.77
8 All stocks	114.90	-0.61	115.60	—	1.66
9 Debentures & Loans	120.04	-0.84	121.06	—	5.82
10 Preference	86.88	-0.38	87.36	0.15	3.73

AVERAGE GROSS REDEMPTION YIELDS		Mon July 14	Fri July 11	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.19	7.95	10.16
2	15 years	9.26	9.13	10.19
3	25 years	9.37	9.17	10.17
4 Medium Coupons	5 years	9.61	9.44	10.82
5	15 years	9.84	9.66	10.83
6	25 years	9.71	9.58	[illegible]
7 High Coupons	5 years	9.76	9.52	11.12
8	15 years	9.75	9.59	[illegible]
9	25 years	9.74	9.58	[illegible]
10 Irredeemables		9.20	9.05	10.05
Index-Linked				
11 Inflat'n rate 5%	5 yrs.	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10%	5 yrs.	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

‡Opening index 1621.7; 10 am 1616.9; 11 am 1614.7; Noon 1612.4; 1 pm 1608.9; 2 pm 1606.7; 3 pm 1605.4; 3.30 pm 1600.0; 4 pm 1599.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (98)

AMERICANS (8) Brunswick, CalFed Inc, Gillette, ITT Corp, Pacific Gas & Elec, Pacificorp, Quaker Oats, Transworld. BANKS (3) Algemene, Chancery Secs, Wells Fargo. BREWERS (3) Buckley's Brew, Macdonald Martin A, Ruddle (G.). BUILDINGS (5) Arncliffe, Douglas (R. M.), Tilbury, Westbury, Wilson (Connolly). CHEMICALS (3) Coalite, Coates Bros A N-V, Plysu. STORES (6) Browns (C.) Car, Ellis & Goldstein, Lincroft Kilgour, Ramar Textiles, Ratners, Wickes. ELECTRICALS (1) Toshiba. ENGINEERING (4) Bronx, Eadie, Priest (B.), Do 8pc Cnv RedPrf, Wellman. FOODS (4) Cheshire Wholefoods, Jacob (R. & W.), Park Food, Safeway. INDUSTRIALS (16) Assoc Brit Eng, Do 8pc Cum Cv Red Pf, Borg-Warner, Bridport-Gundry, Elbief, Fitzwilton, Gestetner, Hawtin, Henara, Keep Trust, Low & Bonar, Nu-Swift, Tech Component Inds, The Times Veneer, Thermax, Tiphook. INSURANCE (3) Stewart Wrightson, Torchmark, Utd Friendly B. LEISURE (1) First Leisure PAPER (1) Shandwick. PROPERTY (18) Bilton (P.), Clayform Props, Ewart New Northern, Five Oaks Invs, Frogmore Ests, Hanover Inv, Lon & Edinburgh Tst, Marler Ests, Mountleigh, New Cavendish, Priest Marians, Prop & Reversionary Inv, Property Trust, Samuel Props, Trencherwood, Utd Real Prop, Warnford Inv, York Mount. *TEXTILES (7) Atkins Bros, Beales (J.)*, Bulmer & Lumb, Burmatex, Palma Grp, Readicut, Toray. TRUSTS (10) Equity Consort, Inv in Success, Robeco (Br), Do Sub Shs, Rolinco NV, Do Sub Shs, Stewart Enterprise, Authority Inv, M & *G Group, Parrish (J. T.). MINES (5)* Eastmet, Jason *Mining, Julia Mines*, Sons of Gwalia NL, Anglo-Dominion.

NEW LOWS (25)

BRITISH FUNDS (5) Treas 3pc 1991, Conv 10pc 1996, Conv 9pc 2000 A, *Conv 9¾pc 2006, Treas 8pc 2009.* AMERICANS (1) Utd Tech. BANKS (1) Rea Bros. STO SER()KDAS1ETAOIN Rea Bros. STORES (1) DAKS Simpson A. ELECTRICALS (2) Powerline Int, Unitech. FOODS (1) Glass Glover. *INDUSTRIALS (2) Dinkie Heel,* Trafalgar House. NEWSPAPERS (1) Portsmouth & Sunderland. PAPER (3) Saatchi & Saatchi, Valin Pollen Int, LCA. TRUSTS (2) Lancs & Lon, Plantation Trust Warrants. OILS (2) Jackson *Expln, Jebsons Drilling. MINES (4)* Marievale, Buffels, FS Cons Gold, Gold Fields SA.

BASE LENDING RATES

	%		%
ABN Bank	10	*Equatorial Tst Corp. plc*	10
Allied Arab Bank Ltd	10	Exeter Trust Ltd.	10½
Allied Dunbar & Co	10	Financial & Gen. Sec.	10
Allied Irish Bank	10	First Nat. Fin. Corp.	11
American Express Bk.	10	First Nat. Sec. Ltd	11
Amro Bank	10	● Robert Fleming & Co.	10
Henry Ansbacher	10	Robert Fraser & Ptrs	11
Associates Cap Corp	10	Grindlays Bank	‡10
Banco de Bilbao	10	● Guinness Mahon	10
Bank Hapoalim	10	● Hambros Bank	10
Bank Leumi (UK)	10	Heritable & Gen. Trust	10
Bank Credit & Comm	10	● Hill Samuel	§10
Bank of Cyprus	10	C. Hoare & Co.	10
Bank of Ireland	10	Hongkong & Shanghai	10
Bank of India	10	Knowsley & Co. Ltd	10½
Bank of Scotland	10	Lloyds Bank	10
Banque Belge Ltd	10	*Mase Westpac Ltd.*	10
Barclays Bank	10	Meghraj & Sons Ltd.	10
Benchmark Trust Ltd	10	Midland Bank	10
Beneficial Trust Ltd	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd.	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	10½
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10¾	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
		Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROSE C	Fl.90	34	3.50	—	—	—	—	Fl.93.40
UNIL C	Fl.480	136	19.50	35	36	1	52	Fl.499
UNIL P	Fl.500	33	4.80	63	16	33	18	"

TOTAL VOLUME IN CONTRACTS: 31,767

A=Ask B=Bid C=Call P=Put

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	No. of changes	Fri. price	Day's change	Stock	No. of changes	Fri. close	Day's change
Amber Day		17	+ ½	Pentland Industries		475xc	−31
Blue Arrow		364xd	+ 9½	Ratners		173	—
Bulmer and Lumb		92	−16	Standard Chartered		718	−57
Clayform Warrants		70	—	Systems Designers		92	−14
Coats Viyella		496	−18	Textured Jersey		167	−11
Pearson		528	−25	Wellman		48½	+ 4½

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Closing close	Day's change	Stock	No. of changes	Closing price	Day's change
Std. Chartered	33	775	—	Bluebird Toys	19	206	—
Abaco Invests.	27	88xr	+ 8	Britoil	18	147	− 3
Pentland Inds.	25	£10⅛	− ⅛	Ferguson (J.)	18	115	+17
Belhaven Brew.	21	64	+ 2	Reine Industs.	18	82	—
British Telecom	20	206	− 2	Glaxo	17	990	−10
Beecham	19	435	+ 8	Tesco	17	375	+15

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	—	111	1
Foreign Bonds	4	38	29
Industrials	301	362	839
Financial and Properties	115	130	322
Oils	28	21	69
Plantations	1	1	13
Mines	64	40	82
Others	126	48	77
Totals	639	751	1,442

LONDON TRADED OPTIONS

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
P. & O. (*496)	460	43	57	—	3	11	—
	500	17	35	48	17	32	37
	550	4	12	27	58	63	68
	600	2	7	—	107	107	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 14. Total contracts 17,072. Calls 10,826. Puts 6,246. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

July 14	Price Sch.	+ or –
[illegible]		

BELGIUM/LUXEMBOURG

July 14	Price Frs.	+ or –
[illegible]		

DENMARK

July 14	Price Kr.	+ or –
[illegible]		

FRANCE

July 11	Price Frs.	+ or –
[illegible]		

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

GERMANY

July 14	Price Dm.	+ or –
[illegible]		

ITALY

July 14	Price Lira	+ or –
[illegible]		

NETHERLANDS

July 14	Price Fls	+ or –
[illegible]		

NORWAY

July 14	Price Kroner	+ or –
[illegible]		

SPAIN

July 14	Price Pts %	+ or –
[illegible]		

SWEDEN

July 14	Price Kroner	+ or –
[illegible]		

SWITZERLAND

July 14	Price Frs	+ or –
[illegible]		

AUSTRALIA

July 14	Price Aust.$	+ or –
[illegible]		

AUSTRALIA (continued)

July 14	Price Aust.$	+ or –
[illegible]		

HONG KONG

July 14	Price H.K.$	+ or –
[illegible]		

JAPAN

July 14	Price Yen	+ or –
[illegible]		

JAPAN (continued)

July 14	Price Yen	+ or –
[illegible]		

SINGAPORE

July 14	Price $	+ or –
[illegible]		

SOUTH AFRICA

July 14	Price Rand	+ or –
[illegible]		

CANADA

TORONTO

Prices at 2.30pm July 14

Sales	Stock	High	Low	Close	Chng
[illegible]					

F—No voting rights or restricted voting rights

Indices

NEW YORK—DOW JONES

	July 14	July 11	July 10	July 9	July 8	July 7	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]									41.22 (2/7/32)
Transport	741.76	751.38	753.36	[illegible]	752.50	[illegible]				12.32 (8/7/32)
Utilities	202.94	204.89	205.54	[illegible]	[illegible]	[illegible]				10.5 (28/4/42)
Trading vol	[illegible]									

	June 27	June 20	June 13	Year Ago (Approx)
Ind. Div Yield %	3.59	3.60	(u)	4.59

STANDARD AND POORS

	July 14	July 11	July 10	July 9	July 8	July 7	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]									3.52 (30/6/32)
Composite	[illegible]									4.40 (1/6/32)

	July 2	June 25	June 18	Year Ago (Approx)
Ind. div. yield %	2.88	2.93	2.95	3.72
Ind. P/E Ratio	18.61	18.32	18.87	11.90
Long Gov Bond Yield				10.31

N.Y.S.E. ALL COMMON

July 14	July 11	July 10	July 9	1986 High	1986 Low
[illegible]					

RISES AND FALLS

	July 11	July 10	July 9
Issues traded	[illegible]	[illegible]	1,954
Rises	[illegible]	[illegible]	1,012
Falls	[illegible]	[illegible]	532
Unchanged	[illegible]	[illegible]	429

NYSE-Consolidated 1500 Actives

	Stocks Traded	2.30p.m. Price	Change on Day		Stocks Traded	2.30p.m. Price	Change on Day
[illegible]				[illegible]			+ ½
							– 1½
							– 1¾
							+ ⅛
							– 1⅝

TORONTO

	July 14	July 11	July 10	July 9	1986 High	1986 Low
Metals & Minls	[illegible]					
Composite	[illegible]					
MONTREAL Portfolio	[illegible]					

* Indicates pre-close figure

	July 14	July 11	July 10	July 9	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1127.1	1126.8	1134.7	1122.3	1247.0 (7/6)	1010.6 (2/1)
Metals & Mnls. (1/1/80)	[illegible]					
AUSTRIA						
Credit Aktien (30/12/84)	(u)	[illegible]				
BELGIUM						
Brussels SE (1/1/80)	[illegible]					
DENMARK						
Copenhagen SE (3/1/83)	[illegible]					
FRANCE						
CAC General (31/12/82)	(c)	[illegible]				
Ind Tendance (31/12/82)	(c)	145.3	142.4	145.3	154.8 (12/5)	101.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	622.90	625.05	617.47	606.15	753.88 (17/4)	590.88 (7/7)
Commerzbank (1/12/53)	1875.8	1884.60	1859.8	1827.9	2278.8 (17/4)	1814.7 (7/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1739.83	1721.89	1718.30	1747.81	1865.55 (7/5)	1559.94 (13/2)
ITALY						
Banca Comm Ital. (1972)	667.87	666.86	705.54	705.89	868.20 (28/5)	454.87 (24/1)
JAPAN**						
Nikkei (16/5/49)	17820.6	17670.77	17489.8	17506.1	17820.6 (14/7)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1385.85	1375.75	1358.85	1365.47	1385.85 (14/7)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	294.5	294.4	292.9	290.5	294.4 (11/7)	240.4 (6/5)
ANP.CBS Indust (1970)	295.3	295.7	291.5	289.1	295.7 (11/7)	234.9 (6/5)
NORWAY						
Oslo SE (4/1/83)	355.41	345.33	357.60	348.42	402.81 (16/1)	345.33 (11/7)
SINGAPORE						
Straits Times (30/12/66)	739.40	732.01	721.99	722.81	776.89 (25/6)	565.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1246.8	1255.8	1239.6	1307.9 (27/1)	1166.1 (21/4)
JSE Indust (28/9/78)	—	1192.8	1191.5	1195.0	1203.1 (20/6)	1069.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	175.22	174.09	174.12	174.42	194.77 (12/5)	100.85 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2500.59	2490.01	2479.91	2482.58	2510.56 (7/7)	1729.57 (29/1)
SWITZERLAND						
Swiss BankCpn (31/12/58)	547.5	547.8	545.3	545.3	626.5 (8/1)	545.3 (10/7)
WORLD						
M.S. Capital Intl. (1/1/70)	—	325.0	324.6	323.7	331.4 (4/7)	249.8 (23/1)

** Saturday July 12: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 45

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Authority Invs	400	+35
Biddle	178	+ 8
Blacks Leisure	11½	+ 2½
Cowan de Groot	70	+ 8
Intl. Leisure	127	+ 6
Nu-Swift Inds	173	+13
Ruddle (G)	150	+10
Slaters Food	190	+22
Staffs Potts	153	+10
Trencherwood	470	+50
Utd Real Prop	840	+ 5
Wellman	48½	+ 4½

FALLS

Ex 12 13-17	£126	– 1¾
Abaco Invs	83	– 5
Abbey Life	190	– 6
Beecham	423	–12
Brit Telecom	190	– 8
Bulmer & Lumb	92	–16
Burton	284	–10
GEC	192	– 8
Hallite	100	–25
Hawker Siddeley	534	–15
Hay (Norman)	155	–25
Morgan Grenfell	481	–14
Royal Ins	842	–20
St Chartered	718	–57
Systems Desig.	92	–14
Textured Jersey	167	–11
Utd Leasing	165	–10
Woolworth	830	–25

Prices at 3pm, July 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	1.9	19	175	24	23⅝	23⅝	-⅜
30	21¾	ADT	.92	3.9		371	24⅛	23⅞	23⅞	-⅛
33	11½	AFG s			26	208	32	30⅞	31⅛	-⅝
25⅜	13¾	AGS			14	94	19⅛	18¾	18¾	-½
15	9⅞	AMCA				3	11¾	11½	11½	-⅛
60⅝	37½	AMR			10	3188	49⅜	48⅛	49	-½
27½	23¼	ANR pf2.67		10.		8	25½	25¼	25½	
23½	19¼	ANR pf2.12		9.6		4	22	22	22	
12½	8	APL			6	276	11	11	11	-⅜
16¾	11⅛	ARX	.71t	5.9	11	11	12¼	12⅛	12⅛	-¼
51	28¾	ASA	2a	6.7		160	30⅜	29¾	30	-⅝
18⅝	10½	AVX			28	198	11⅞	11⅝	11⅝	-⅜
32	22⅝	AZP	2.72	9.1	8	1273	30	29⅝	30	+⅝
56	26⅜	AbtLb s .84		1.7	23	2443	51	49¼	50	-1
32	19⅝	AccoWd .56		2.1	18	842	27⅛	26¾	27	-⅜
17	10	AcmeC .40		3.6		12	11¼	11	11	-⅜
9¼	7	AcmeE .32b		4.1	19	6	7⅞	7⅝	7¾	
20¾	17	AdaEx 1.90e		9.5		58	20⅛	19⅞	20	-⅛
33⅜	18	AdmMl .40		1.3	14	23	30¾	30⅜	30⅜	
20⅜	11¼	AdvSys.83t		4.8	16	42	17¾	17	17¼	-⅝
32⅞	17½	AMD				5642	16⅞	d15¾	16⅛	-1¼
12⅝	7¼	Adobe n			72	7¼	d	7⅛	7⅛	-⅛
18⅜	14⅝	Adob pf1.84		12.		17	16¼	15⅞	15⅞	-⅜
20¼	15¼	Adob pf2.40		13.		30	18½	18⅜	18⅜	+⅛
18⅜	7⅜	Advest .12a		.8	13	234	16⅛	15½	15⅞	-⅛
66¼	42¼	AetnLf 2.64		4.5	11	1389	58⅝	58½	59⅛	+¼
57½	51½	AetL pf4.28e		8.2		1	52½	52½	52½	+⅛
28¾	9⅝	Ahmns .46		1.8	9	1503	26⅜	25⅝	25⅞	-⅝
5¾	2½	Aileen			100	26	5	4⅞	5	+⅛
41⅝	25¼	AirPrd s .80		2.4	13	1810	33	32⅝	32¾	
27¾	17	AubFrt .60		3.4	15	110	18¼	17⅞	17⅞	-⅛
2⅛	⅜	AlMoart .60c				75	7-16	13-32	7-16	+1-32
[illegible]										

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Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
18¼	8⅝	ZenLb s			18	8800	13⅝	12	13⅛	−⅞
22⅜	14¾	Zero s	.29	1.8	16	83	16⅜	15⅞	16	−½
45¾	33	Zurnin 1.32		3.7	13	110	35¾	35⅛	35⅜	−⅝

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 14

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Sour start to reporting season

THE CORPORATE reporting season started the week on a sour note as Wall Street recoiled swiftly yesterday at poor results from market bellwether IBM, *writes Paul Hannon in New York.*

Disappointment with IBM's results unsettled sentiment, despite the cut in the prime rate on Friday by the leading banks, although the bond market firmed with gains of up to a ½ point among key issues.

At 3pm the Down Jones industrial average was down 23.77 at 1,797.66.

The unexpected poor second-quarter showing by IBM, which retreated $2⅛ to $141 in heavy volume, prompted a broad retreat among high technology stocks initially and the wider market later.

NCR dropped $1⅛ to $50⅝ despite its higher second-quarter figures, Digital Equipment weakened $1⅞ to $87, closely followed by Hewlett Packard's $1⅜ fall to $38⅝. Cray Research traded $2½ lower to $88⅛.

Among other blue chips, GM lost $⅝ to $75 on its intention to cut capital spending for the next few years. ITT retreated $1⅛ to $55⅝ and GE slipped $⅛ to $76 after announcing plans to restructure its turbine business.

A batch of figures in the banking sector did little to bolster confidence. A surge in six-month earnings for J. P. Morgan had little impact as the stock eased $1⅜ to $85⅛. First Chicago, also reporting higher results, held unchanged at $30⅛. Chase Manhattan managed to trade steady at $40½ in thin volume on higher earnings. Chemical New York's poorer second-quarter results prompted it to fall $1 to $47⅞.

Ford led the Detroit car makers with its $1⅛ advance to $53⅞, while Chrysler dipped $⅛ to $35⅛. American Motors was unchanged at $4⅛. Car components group Dana Corp dropped $⅝ to $31⅞ on weaker second-quarter profits, despite higher sales.

Other features included heavy trading in Safeway Stores after last week's bid by Dart Group. Safeway dipped $1⅜ to $55⅛.

PepsiCo declined $1⅛ to $40⅞ in active trading on its plan to purchase the international operations of Seven-Up from Philip Morris for $246m. Philip Morris edged $⅝ lower to $72⅝. Coca-Cola lost $1 to $40⅛.

NL Industries, the diversified petroleum services group, added $⅛ to $15⅛ after the board rejected as inadequate the tender offer made by an affiliate of Mr Harold Simmons.

Texas Eastern, the gas pipeline group, dropped $3⅛ to $30⅝ on accounting changes that will cut year-end earnings by $139m. Panhandle Eastern firmed $⅛ to $6⅞ in heavy trading.

Singer fell $1⅛ to $57⅞ as the group forecast a $4m loss for the second quarter due to write-offs.

Sherwin-Williams, the large US paintmaker, slipped $⅝ to $25⅞ on second-quarter figures and in reaction to last week's announcement that it hoped to sell its drug stores subsidiary.

Loral, the defence contractor, moved against the trend with its $1⅛ gain to $46 despite losing out to Lockheed in the race to buy Sanders Associates. Lockheed was steady at $51⅞ and Sanders dipped $⅛ to $61⅞.

Zenith Laboratories the pharmaceuticals group, lost $1⅛ to $13 following weekend press comment, while Abbott Laboratories dipped $1 to $50 in moderate turnover.

Entertainment group Walt Disney slipped $1⅛ to $48⅞ despite recent broker recommendations.

On the American Stock Exchange, Wickes was unchanged at $5⅝ in heavy turnover, while Wang Laboratories edged $⅛ higher to $13⅞. Profit-takers trimmed some of Harley Davidson's gains of last week with a $1 drop to $12⅞. Restaurant group Horn & Hardart lost $⅝ to $12⅞.

In the bond market, prices opened lower with many operators keeping a watchful eye on the dollar's exchange rate. The Treasury's key long bond, the 7¼ of 2016, reversed early losses to trade ½ higher at 101 9/32, yielding 7.14 per cent. The 7⅜ of 1996 rose 1/32 to 100 27/32 to yield 7.24 per cent.

Federal funds opened at 6⅞ and remained pegged at this level for most of the session. The Federal Reserve also announced three-day system repurchases.

Rates on Treasury bills were mixed with the three-month issue up four basis points to 5.79 per cent and the six-month issue up one basis point to 5.82 per cent. The 12-month bill was unchanged at 5.83 per cent.

Thin trading among municipals left most prices at or near their closing Friday level.

LONDON

WORRIES about sterling dominated London yesterday. A further setback for the pound against other major currencies and a fresh slide in spot crude prices sent gilts and blue-chip industrials into retreat.

The FT Ordinary index closed 27.4 down at 1,309.9, while the more broadly-based FT-SE share index dipped 29.1 to 1,597.3.

The first day of the new account in the equity sectors saw buyers going to ground amid the uncertainty and leading issues moved progressively lower on occasional nervous offerings.

Despite the surrounding gloom there were still some good rises, mainly on takeover speculation, while weekend press comment also resulted in several good gains.

Chief price changes, Page 43; Details, Page 42, Share information service, Page 40–41

SINGAPORE

SHORT COVERING and bargain hunting saw Singapore close generally higher in quiet activity with some late profit-taking well absorbed. The Straits Times industrial index rose 7.39 to 739.40.

In the absence of fresh factors, some interest in blue chips and quality stocks, together with purchases of selected trustee stocks by Central Provident Fund account holders, helped prices to rise.

Some dealers said that official estimates for the country's GDP, announced at the weekend, which put it at 4 per cent instead of the previous 1.6 to 2 per cent, also boosted the market.

Sime Darby added 3 cents to S$1.45, while Singapore Airlines gained 5 cents to S$7.35 and Malay Banking 6 cents to S$3.72.

SOUTH AFRICA

A WEAKER RAND combined with a relatively steady bullion price to give gold shares a slight boost in Johannesburg.

Vaal Reefs ended R6 higher at R242 while Harmony, which announced higher profits, put on R1 to R34.50 and Lorraine 60 cents to R13.85.

Platinums, diamonds and mining financials also firmed. Impala added R1.40 to R40, De Beers 55 cents to R30.75 and Amgold R7 to R249.

Other minings were little changed and industrials mixed.

AUSTRALIA

PROFIT-TAKING among quality industrial issues and a weaker BHP led Sydney to close easier where the All Ordinaries index ended 2.8 lower at 1,137.0.

BHP, the market leader, lost 18 cents to A$8.08 in the wake of lower-than-expected annual profits. Elders IXL gained 11 cents to A$5.06 mainly on takeover speculation which was fuelled by the sale of 2m Elders IXL shares at A$5.05 by Sydney-based brokers Ord Minnett.

Industrial stocks were marginally easier, Amatil lost 10 cents to A$7.40, while Adstream put on 20 cents to A$11.50.

In finance stocks, FAI lost 10 cents to A$7.60 and NZI five to A$1.50.

CANADA

MOST MAJOR share groups in Toronto joined a retreat prompted by losses on Wall Street.

Industrials dragged prices down while blue chips dominated actives. Canadian Pacific lost C$¼ to trade at C$16¼. Northern Telecom dropped C$⅛ to C$39⅞ and International Thomsom slipped C$⅛ to C$11½. Against the trend Bank of Nova Scotia added C$⅛ to C$16.

Montreal was also lower.

EUROPE

A new sense of direction is awaited

A LACKLUSTRE performance was turned in by many of the European bourses yesterday with investors apparently becalmed and awaiting a new sense of direction from Wall Street.

Frankfurt was mixed in light trade. Some demand emerged for export stocks in response to a firmer dollar but this was balanced by profit-taking in response to last week's strong advance. The Commerzbank index fell 8.8 to 1,875.8.

Motor and chemicals issues benefited from the stronger US currency. Daimler Benz advanced DM 13 to DM 1,335, while BMW put on DM 4 to DM 576 and Volkswagen was DM 2.80 higher at DM 486.80.

In the chemicals sector, Hoechst edged DM 1 ahead to DM 259.50 and Bayer 80 pfg to DM 286.30.

BASF put on 70 pfg to DM 258.90. It plans to sell its Frankfurt based printing ink subsidiary, Hartmann Druckfarben, to Japan's Dainippon Ink and Chemicals, in return for West German cartel office approval for its purchase of Inmont Corporation in the US.

Profit-taking took the banks lower. Dresdner shed DM 4 to DM 408.70, Commerzbank DM 3.50 to DM 299 and Deutsche 50 pfg to DM 759.50. Among mixed store shares, Kaufhof firmed DM 4 to DM 459 but Karstadt was DM 3 lower at DM 369.

Bond prices slipped back after a very quiet session. Foreign investors remained virtually absent from a market where dealers have decided that last week's half point cut in the US discount rate was disappointing and ineffective.

The Bundesbank bought DM 7.1m of domestic paper to balance the market after sales totalling DM 20.3m last Friday.

Amsterdam was also mixed as the new, centre-right coalition cabinet agreed on a strict timetable for cutting the state financing deficit.

Philips advanced 20 cents to Fl 51.50, with the 22 per cent second-quarter decline in the operating profit of its North American operations proving not as bad as some investors had feared.

Other internationals were mostly lower. Akzo shed Fl 2.30 to Fl 165.30 and Royal Dutch Fl 2.20 to Fl 50.50, while KLM was 60 cents easier at Fl 46.30.

Most insurers were easier but Publisher VNU moved against the trend with a Fl 3 rise to Fl 340.

Bond prices were little changed in very quiet trade.

Investors in **Brussels** were left on the sidelines by a newspaper report quoting Mr Philippe Maystadt, the economic affairs minister, who said that Government plans to save BFr 30bn from its 1987 budget through a renegotiation of its internal debt must involve real sacrifice by Belgian banks and other institutional lenders.

Utilities – always sensitive to political trends – turned lower with Intercom down BFr 100 at BFr 3,610.

Among holding companies, Groupe Bruxelles Lambert fell BFr 5 to BFr 3,185 in heavy volume. The activity was attributed to the company's issue of bonds with warrants carrying a higher yield than the dividend on GBL stock.

A cautious approach was made in **Zurich**. Volume was very low with the only notable activity in the banking sector.

Bank Leu put on SFr 25 to SFr 2,750 and Dow Banking SFr 40 to SFr 1,580.

In pre-bourse dealings, the newly launched Merck stock rose SFr 40 from its issue price to SFr 640.

Stockholm and **Oslo** both managed to end marginally firmer, despite a marked absence of investor enthusiasm.

Milan was sharply down amid book-squaring at the end of the bourse month and **Madrid** was easier in quiet trade. **Paris** markets were closed for a public holiday.

HONG KONG

LATE BARGAIN hunting sent prices sharply higher in moderately active Hong Kong trading and the Hang Seng index closed up 18.24 at 1,739.93.

Rumours that Hongkong Land planned a corporate announcement also pushed prices higher. The statement that the company is considering transferring its food and trading division to shareholders came after the market had closed. The shares ended 20 cents higher at HK$5.9.

Brokers said selling by overseas institutions took prices lower early in the session but local investors moved in later, buying mainly properties and utilities.

China Gas rose 60 cents to HK$15.9, China Light added 10 cents at HK$14.9, while Hang Seng Bank shed 25 cents to HK$33.75.

TOKYO

Rate hopes spur trip to peaks

FRESH RECORDS were set in heavy Tokyo trading amid expectations of a further easing in Japan's monetary policy after the US discount rate cut late last week, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average advanced 149.79 to 17,820.56, eclipsing the previous high of 17,734.15 registered on July 8. Volume shrank from Friday's 1.42bn shares, but was still large at 1.18bn shares. Gains outpaced losses by 551 to 311, with 124 issues unchanged.

Many institutional investors traded in low-priced, large-capital issues in large lots of 10m shares in anticipation of a fourth cut this year in Japan's official discount rate.

Nippon Steel remained top of the active list for the third straight session with 156.37m shares, adding Y4 to Y197. Next was Kawasaki Steel, which rose Y5 to Y209 on trading of 153.59m shares. Nippon Kokan, third on 88.73m shares, finished Y2 higher at Y228, while Ishikawajima-Harima Heavy Industries gained Y4 to Y356.

Toshiba advanced Y17 to Y459, on a report that the company would link with IBM Japan, to sell computers.

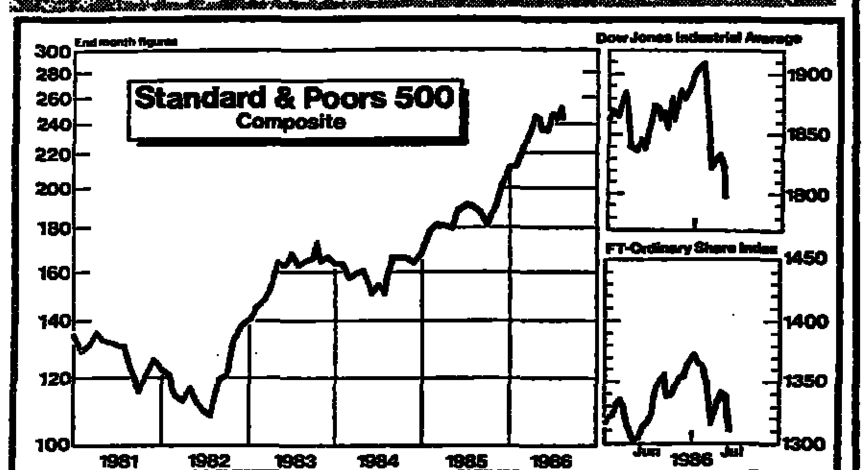
Investors also sought real estate, non-life insurance and railway stocks, whose prices have fallen from the highs scored in March. Mitsubishi Estate was the busiest among them, spurting Y50 to a record Y2,300.

Tokio Marine and Fire Insurance advanced Y70 to Y1,430 and Taisho Marine and Fire Insurance Y58 to Y874. Tobu Railway gained Y60 to Y650, Keisei Electric Railway Y35 to Y580 and Keio Teito Electric Railway Y34 to Y669.

Bond prices declined in slow trading, mirroring the weakness of US bond prices in the wake of the discount rate reduction. Profit taking by brokerages and bank dealers hit the 6.2 per cent *government bond due in July 1995,* pushing its yield up to 4.785 per cent from Friday's 4.780 per cent.

Buying shifted to issues with similar maturities to the benchmark issue. The 6.8 per cent government bond maturing in December 1994 yielded 5.280 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 14	Previous	Year ago
NEW YORK			
DJ Industrials	1,797.66*	1,821.43	1,338.60
DJ Transport	740.75*	751.38	687.97
DJ Utilities	203.88*	204.00	168.91
S&P Composite	238.57*	242.22	193.29
LONDON			
FT Ord	1,309.9	1,337.3	937.2
FT-SE 100	1,597.3	1,626.4	1,230.8
FT-A All-share	794.28	805.36	599.08
FT-A 500	870.33	883.13	650.91
FT Gold mines	196.4	198.1	399.6
FT-A Long gilt	9.61	9.45	9.45
TOKYO			
Nikkei	17,820.56	17,670.77	12,839.5
Tokyo SE	1,385.90	1,375.15	1,048.36
AUSTRALIA			
All Ord.	1,137.1	1,139.9	908.6
Metals & Mins.	503.4	504.2	515.5
AUSTRIA			
Credit Aktien	n/a	259.44	98.40
BELGIUM			
Belgian SE	3,722.46	3,727.74	2,337.61
CANADA			
Toronto			
Metals & Minls	1,989.7*	2,006.04	1,880
Composite	3,011.0*	3,024.0	2,737.4
Montreal			
Portfolio	1,510.59*	1,515.64	134.66
DENMARK			
SE	208.13	210.01	209.30
FRANCE			
CAC Gen	closed	374.10	219.8
Ind. Tendance	closed	143.3	81.2
WEST GERMANY			
FAZ-Aktien	622.90	625.03	475.49
Commerzbank	1,875.80	1,884 60	1,397.7
HONG KONG			
Hang Seng	1,739.93	1,721.69	1,615.78
ITALY			
Banca Comm.	667.81	689.95	349.15
NETHERLANDS			
ANP-CBS Gen	294.3	294.4	217.8
ANP-CBS Ind	293.3	293.7	184.5
NORWAY			
Oslo SE	355.41	345.39	325.79
SINGAPORE			
Straits Times	739.40	732.01	725.27
SOUTH AFRICA			
JSE Golds	–	1,246.2	952.6
JSE Industrials	–	1,192.8	1,034.8
SPAIN			
Madrid SE	173.22	174.09	81.26
SWEDEN			
J & P	2,500.59	2,498.01	1,324.74
SWITZERLAND			
Swiss Bank Ind	547.5	547.6	464.6
WORLD	July 11	Prev	Year ago
MS Capital Int'l	325.0	324.6	220.6

COMMODITIES

(London)	July 14	Prev
Silver (spot fixing)	339.15p	334.15p
Copper (cash)	£887.00	£893.00
Coffee (September)	£1,873.50	£1,873.50
Oil (Brent blend)	$8.55	$9.45

GOLD (per ounce)

	July 14	Prev
London	$345 50	$348.00
Zürich	$345.70	$348.10
Paris (fixing)	$348.20	$348.21
Luxembourg	$346.40	$347.80
New York (Aug)	$346.40*	$347.80

CURRENCIES

(London)	US DOLLAR July 10	US DOLLAR Previous	STERLING July 10	STERLING Previous
$	–	–	1.4815	1.5050
DM	2.1795	2.1880	3.2275	3.2925
Yen	160.25	161.35	237.50	242.75
FFr	7.0100	7.0225	10.3850	10.5675
SFr	1.7790	1.7880	2.6350	2.6900
Guilder	2.4570	2.4540	3.6400	3.6925
Lira	1,496	1,498	2,216.0	2,254.5
BFr	44.90	44.85	66.50	67.50
C$	1.3765	1.3775	2.0418	2.0759

INTEREST RATES

	July 14	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10
SFr	5 5/16	4 15/16
DM	4⅝	4⅝
FFr	7 5/16	7 5/16
FT London Interbank fixing (offered rate)		
3-month US$	6 11/16	6 11/16
6-month US$	6 11/16	6 11/16
US Fed Funds	7 7/16*	6 13/16
US 3-month CDs	6.30	6.475
US 3-month T-bills	5.765	5.90

US BONDS

Treasury		July 10 Price	July 10 Yield	Prev Price	Prev Yield
7⅛	1988	100 26/32	6.549	100 18/32	6.723
7¼	1993	100 19/32	7.174	99 30/32	7.272
7⅜	1996	100 27/32	7.256	100 19/32	7.328
7¼	2016	101 9/32	7.16	101	7.167

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (July 14*)	Day's change	Yield	Day's change
1–30	153.94	+0.31	7.25	–0.03
1–10	146.24	+0.24	7.04	–0.03
1– 3	137.36	+0.13	6.71	–0.02
3– 5	148.41	+0.29	7.21	–0.04
15–30	181.63	+0.58	7.95	–0.03

Source: Merrill Lynch

Corporate	July 14 Price	July 14 Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92⅝	6.09	92¼	6.08
SCBT South Central				
10⅞ Jan 1993	106½	9.57	106¼	9.59
Phibro-Sal				
8 April 1996	98.85	8.20	98.327	8.25
TRW				
8⅞ March 1996	103⅝	8.30	102.6	8.35
Arco				
9⅞ March 2016	105	9.27	104½	9.42
General Motors				
8⅛ April 2016	92½	8.84	92½	8.84
Citicorp				
9⅞ March 2016	97.78	9.60	97.78	9.60

Source: Salomon Brothers

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	100-07	100–11	98–31	99–12
US Treasury Bills (IMM) $1m points of 100%				
Sept	n/a	94.54	94.45	94.48
Certificates of Deposit (IMM) $1m points of 100%				
Sept	93.94	93.94	93.94	93.94
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.56	93.57	93.54	93.56
20-year Notional Gilt £50,000 32nds of 100%				
Sept	119-15	120-18	119-05	121-07

* Latest available figures